



SHIRE OF  
**Chapman Valley**  
*love the rural life!*

# UNCONFIRMED MINUTES

## FINANCE, AUDIT & RISK MANAGEMENT COMMITTEE MEETING

31<sup>st</sup> July 2020

COUNCIL CHAMBERS NABAWA

10.30am

### Committee Purpose & Delegations

To provide a review of Council's ongoing financial situation, provide a forum for ongoing review of strategic management plan for Council operations and discuss the Audit System.

Delegation – Nil

### **The Finance, Audit & Risk Management Committee is comprised of:**

#### 4 x Councillors

- Cr Farrell (Presiding Member)
- Cr Forth
- Cr Davidson
- Cr Warr

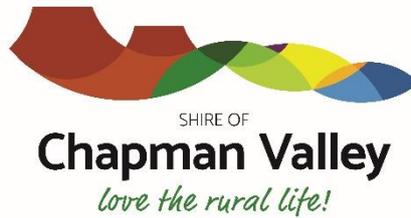
(External, Independent Member)

- Grant Middleton CPA (DCEO Shire of Northampton)

#### Observers:

- ~ CEO
- ~ Manager Finance & Corporate Services

# DISCLAIMER



No responsibility whatsoever is implied or accepted by the Shire of Chapman Valley for any act, omission or statement or intimation occurring during Council Meeting. The Shire of Chapman Valley disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission or statement or intimation occurring during Council or Committee Meetings.

Any person or legal entity who acts or fails to act in reliance upon any statement, act or omission made in a Council Meeting does so at that person's or legal entity's own risk.

The Shire of Chapman Valley warns that anyone who has any application or request with the Shire of Chapman Valley must obtain and should rely on written confirmation of the outcome of the application or request of the decision made by the Shire of Chapman Valley.

A handwritten signature in black ink, appearing to read "M. Battilana". The signature is stylized with large, sweeping loops.

Maurice Battilana  
**CHIEF EXECUTIVE OFFICER**

# AGENDA

## FINANCE, AUDIT & RISK MANAGEMENT COMMITTEE MEETING 31<sup>st</sup> JULY 2020 COUNCIL CHAMBERS, NABAWA 10.30AM

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### ORDER OF BUSINESS

#### 1.0 Declaration of Opening / Announcements of Visitors

Meeting declared open at 10.48am

#### 2.0 Announcements from the Presiding Member

Nil

#### 3.0 Attendance

##### 3.1 Present

Committee Members
Cr. Anthony Farrell (President)
Cr. Kirrilee Warr (Deputy President)
Cr. Darrell Forth
Cr. Beverley Davidson
External – Grant Middleton CPA

Observers
CEO Maurice Battilana
MFCS Dianne Raymond
SFO Beau Raymond
Clare Cream (Minute Taker)

##### 3.2 Apologies

Committee Member
Nil

##### 3.3 Leave of Absence (Previously approved)

Committee Member
Nil

#### 4.0 Declaration of Interest

Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.

Section 5.60A:

“a person has a **financial interest** in a matter if it is reasonable to expect that the matter will, if dealt with by the local government, or an employee or committee of the local government or member of the council of the local government, in a particular way, result in a financial gain, loss, benefit or detriment for the person.”

Section 5.60B:

“a person has a **proximity interest** in a matter if the matter concerns –  
 (a) a proposed change to a planning scheme affecting land that adjoins the person’s land; or  
 (b) a proposed change to the zoning or use of land that adjoins the person’s land; or  
 (c) a proposed development (as defined in section 5.63(5)) of land that adjoins the person’s land.”

Regulation 34C (Impartiality):

“**interest** means an interest that could, or could reasonably be perceived to, adversely affect the **impartiality** of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.”

Item No.	Member/Officers	Type of Interest	Nature of Interest

**5.0 Petitions / Deputations / Presentations**

Nil

**6.0 Confirmation of Minutes from previous meetings**

**MOVED: Cr. Forth**

**SECONDED: Cr. Warr**

Finance, Audit & Risk Committee Meeting held on 6<sup>th</sup> February 2020

Recommend that the Minutes of the Finance and Audit Committee of the Shire of Chapman Valley held on 6<sup>th</sup> February 2020 be confirmed as a true and accurate record of proceedings. (Supplied under separate cover **Attachment 6.0(a)**).  
 Attachment 6.0(a)

**Voting 5/0**

**CARRIED**

**Minute Reference: FARM 07/20-01**

**7.0 Items to be dealt with En Bloc**

Nil

**8.0 Officers’ Reports**

8.1 Interim Audit Management Report

# **Manager Finance & Corporate Services Report July 2020**

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## **Contents**

### **8.0 AGENDA ITEMS**

#### 8.1 Interim Audit Management Report

<b>AGENDA ITEM:</b>	<b>8.1</b>
<b>SUBJECT:</b>	<b>INTERIM AUDIT MANAGEMENT REPORT</b>
<b>PROPONENT:</b>	<b>FINANCE, AUDIT &amp; RISK MANAGEMENT COMMITTEE</b>
<b>SITE:</b>	<b>COUNCIL CHAMBERS</b>
<b>FILE REFERENCE:</b>	<b>403.05 &amp; 305.12</b>
<b>PREVIOUS REFERENCE:</b>	<b>N/A</b>
<b>DATE:</b>	<b>31<sup>ST</sup> JULY 2020</b>
<b>AUTHOR:</b>	<b>DIANNE RAYMOND, MANAGER FINANCE &amp; CORPORATE SERVICES</b>

#### SUPPORTING DOCUMENTS:

Ref	Title	Attached to Report	Under Separate Cover
8.1(a)	Interim Audit Management Report		✓
8.1(b)	Interim Audit Letter Office of Auditor General		✓

#### DISCLOSURE OF INTEREST

Nil

#### BACKGROUND

The Shire of Chapman Valley has received the *Interim Audit Management Report* from its Auditors - Moore Stephens (Please refer to **Attachments 8.1(a) and 8.1(b)**).

#### COMMENT

The Local Government (Audit) Regulation has legislated a greater role for the Finance, Audit & Risk Management Committee in assisting the Chief Executive Officer to monitor and advise in relation to risk management, internal control, and legislative compliance. The purpose of the committee encompasses more involvement in the oversight of the financial systems and responses to audit recommendations.

The Interim Audit Management Report identifies all areas raised by the Auditors for Committee and Council consideration:

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Revenue Not Recognised in Accordance with AASB15		<input type="checkbox"/>	
2. Purchase Orders Not Raised for Services Performed or Goods Received		<input type="checkbox"/>	
3. Inventory (Fuel) Reconciliations Not Performed with Sufficient Regularity		<input type="checkbox"/>	

#### KEY TO RATINGS

As stated in the Interim Management Report the Ratings are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. The Auditors give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

*Significant* - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly .

*Moderate* - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

*Minor - Those findings that are not of primary concern but still warrant action being taken.*

Management concur improvements can be implemented with a view to ensure internal controls across systems reduce risk and financial reporting is accurate in accordance with the accounting standards; errors and/or misappropriation can be detected in a timely manner. The matters have been discussed in conjunction with staff and auditors (Management comments listed in [blue text](#)) and outcomes as follows:

**1. Revenue Not Recognised In Accordance With AASB 15**

**Finding**

Whilst the Shire has performed a revenue recognition assessment of its main sources of revenue to ensure compliance with the new revenue accounting standards effective from 1 July 2019, our sample testing of revenue transactions noted waste collection fees has not been correctly assessed and recognised in accordance with AASB 15 Revenue From Contracts with Customers.

**Rating: Moderate Implication**

Non-compliance with AASB 15 Revenue from Contracts with Customers.

While this may not have a significant impact on the final revenue figures for the 2019-20 financial year, monthly financial information may not be accurate and in accordance with accounting standards.

**Recommendation**

The Shire should review its revenue recognition assessment of waste collection fees to ensure compliance with AASB 15 Revenue From Contracts with Customers on both an annual and a monthly basis.

**Management Comment**

As part of the month end review the Shire will include review of its revenue recognition to ensure compliance with AASB 15 Revenue from Contracts with Customers on a monthly basis for ease of assessment annually.

**Responsible Person:** Manager Finance & Corporate Services

**Completion Date:** 30 June 2020

**2. Purchase Orders Not Raised Before The Service Is Performed Or Goods Received**

**Finding**

Our sample testing of 12 payment transactions noted 2 instances where the purchase orders were not raised before the services were performed or goods received.

**Rating: Moderate Implication**

Purchases made without authorised purchase orders increases the risk of unauthorised expenditure.

**Recommendation**

All authorised officers should be “reminded” of the need to ensure purchase orders are raised prior to the authorising of works/services or ordering goods. This will help to ensure works/services or goods have been appropriately authorised, which will assist with budget monitoring and responsibility.

**Management Comment**

Authorised officers are currently reminded of the need to ensure purchase orders are raised prior to the authorising of works/services or ordering goods. This will continue to be done as a matter of course and be monitored to help to ensure works/services or goods have been appropriately authorised.

**Responsible Person:** Manager Finance & Corporate Services

**Completion Date:** 30 June 2020

### 3. Inventory (Fuel) Reconciliations Not Performed With Sufficient Regularity

#### Finding

During our review of the Shire's inventory control procedures, we noted that a reconciliation between the fuel quantity per the inventory system and the quantity per the fuel dip was last performed in June 2019.

#### Rating: Moderate Implication:

There's an increased risk of misappropriation of fuel not being detected in a timely manner.

#### Recommendation

To help ensure that inventory is properly controlled, the fuel quantity as per the inventory system should be reconciled to the quantity per the fuel dip every month. The reconciliation should also be reviewed by a senior staff member independent of preparation.

#### Management Comment

The fuel system reconciliation is currently under review to ensure the inventory is properly controlled. This is part of the monthly reconciliation cycle and performed by the Senior Finance Officer. The Manager of Works Services reviews fuel data. The fuel quantity as per the inventory system will be reconciled to the quantity per the fuel dip monthly. The reconciliation is to be reviewed by the Manager Finance & Corporate Services.

**Responsible Person:** Manager Finance & Corporate Services

**Completion Date:** 30 June 2020

#### STATUTORY ENVIRONMENT

Local Government Act 1995

#### POLICY IMPLICATIONS

Nil

#### FINANCIAL IMPLICATIONS

Nil

#### STRATEGIC IMPLICATIONS

Ref	Objective	Strategy	Action
5.1	Ensure governance and administration systems, policies and processes are current and relevant	Review policy categories and set ongoing accountability for review processes	Review current Council and Management policies and formalise update process and timelines.

#### CONSULTATION

Relevant staff have been in contact and discussion with council auditors as part of the interim audit process.

#### RISK ASSESSMENT

The audit report has not highlighted any significant areas of risk.

Measures of Consequence							
Rating (Level)	Health	Financial Impact	Service Interruption	Compliance	Reputational	Property	Environment

<b>Insignificant (1)</b>	Negligible injuries	Less than \$1,000	No material service interruption	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage.	Contained, reversible impact managed by on site response
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## VOTING REQUIREMENTS

Simple Majority

## FINANCE AUDIT AND RISK COMMITTEE RESOLUTION/STAFF RECOMMENDATION

**MOVED: Cr. Davidson**

**SECONDED: Cr. Warr**

That the Finance, Audit & Risk Management Committee recommends to Council the Interim Audit Management Report for year ended 30<sup>th</sup> June 2020 be received and endorse the following actions for items identified:

Index of Findings	Rating	Recommended Action
1. Revenue Not Recognised In Accordance With AASB 15	Moderate	As part of the month end review the Shire will include review of its revenue recognition to ensure compliance with AASB 15 Revenue from Contracts with Customers on a monthly basis for ease of assessment annually. Responsible Person: Manager Finance & Corporate Services Completion Date: 30 <sup>th</sup> June 2020
2. Purchase Orders Not Raised For Services Performed Or Goods Received	Moderate	Authorised officers are currently reminded of the need to ensure purchase orders are raised prior to the authorising of works/services or ordering goods. This will continue to be done as a matter of course and be monitored to help to ensure works/services or goods have been appropriately authorised Responsible Person: Manager Finance & Corporate Services Completion Date: 30 <sup>th</sup> June 2020
3. Inventory (Fuel) Reconciliations Not Performed With Sufficient Regularity	Moderate	The fuel system reconciliation is currently under review to ensure the inventory is properly controlled. This is part of the monthly reconciliation cycle and performed by the Senior Finance Officer. The Manager of Works Services reviews fuel data. The fuel quantity as per the inventory system will be reconciled to the quantity per the fuel dip monthly. The reconciliation is to be reviewed by the Manager Finance & Corporate Services Responsible Person: Manager Finance & Corporate Services Completion Date: 30 <sup>th</sup> June 2020

**Voting 5/0**

**CARRIED**

**Minute Reference: FARM 07/20-02**

**9.0 Urgent Business Approved by the Presiding Member or by Decision of the Committee**

Nil

**10.0 Closure**

Cr. Farrell closed the meeting at 11.07am.