

FinPro Member Update – Edition 19, 2021

Good morning,

Happy New Year!!!!!!!!!!!!!!!!!!!!!!

Who wouldn't want to be an accountant, and get the chance to celebrate two New Years!

I hope you are all having fun with the finalisation of budgets and preparation of year-end and external audits – or for many, I'm sure you have taken some time off for the school holidays!

FinPro Executive members are meeting next month with representatives of LGV and we will use this opportunity to discuss areas of concern for our members including a model hardship policy, LG Act Implementation, financial sustainability and the rollout of recommendations associated with the Rating Review.

Hope you all keep warm over the coming weekend.

Bradley Thomas
President – FinPro
CEO Hepburn Shire



Upcoming events

5 – 8 September 2021 – Leadership Program at Country Place Kalorama

20 – 22 October 2021 – FinPro Annual Conference at RACV Cape Schanck

3 December 2021 – FinPro End of Year Lunch and AGM – Leonda by the Yarra

Recordings of our webinar last week, where we heard from the Victorian Ombudsman, the ESC and ran a panel session around finalising Council Plans and LTFP's are [available now](#).

Technical Update

Local Government Act Implementation Update

The new Local Government Act 2020 is the most ambitious reform to the local government sector in over 30 years. The Act will improve local government democracy, accountability and service delivery for all Victorians. Copies of relevant information is available on the [LGV website](#)

Payment time reporting

Some Councils received a letter from the Department of Industry, Science, Energy and Resources late last year, informing them that their organisation had been identified as likely needing to report under the new Payment Times Reporting Scheme (the PTRS).

We have received confirmation that local government bodies are not considered to be constitutionally covered entities and therefore do not have reporting obligations under the Scheme. However, it is possible that entities that are established and funded by local government bodies, such as tourist parks or other local government businesses, may still be covered by the Scheme if they are operating as corporations.

For further information about the Scheme please visit their [website](#) and [guidance material](#).

Social and affordable housing

The Victorian Government recently announced a \$5.3 billion-dollar Big Housing Building Plan to deliver 12,000 new social and affordable homes over the next four years. Not only will this fill a long-standing policy and funding vacuum, it will also provide an important stimulus for Victoria's post-COVID social and economic recovery.

Complex funding arrangements impacting councils have also become apparent, with the State Government considering making all social housing provided by Homes Victoria and community housing organisations rate-exempt. The MAV have done some initial work in this space and preliminary MAV estimates is that this proposal will cost Victorian councils more than \$120 million per annum.

The MAV prepared a [Members Brief](#) to provide an overview of the activities and advocacy that the MAV is undertaking on behalf of councils. FinPro are pleased to be working with the MAV to understand the rate exemption financial impacts.

The FinPro Executive Team members working with the MAV on this are Binda Gokhale (Wyndham CC), Wei Chen (Yarra CC), Simone Wickes (Frankston CC) and Danny Wain (Monash CC).

We will keep you updated as this work progresses.

Deliberative Engagement

In the last year, each Council across Victoria has been engaging extensively with their communities to understand priorities and aspirations for the future. Capire Consulting Group took the opportunity at the end of a busy 12 months of working with clients to pause and reflect on the experiences, hosting a Webinar on 23 June.

Lessons learnt from the broad range of deliberative engagement approaches to develop Community Visions and inform Council strategic planning will be useful in harnessing the energy of participants and council officers for future engagement. Rewatch the webinar recording which features Clare Murrell, Capire Consulting Local Government Sector Lead, Emanuela Savini, PHD candidate and IAP2 research working group Chair and Carol Tu, Coordinator Strategic Engagement, City of Port Phillip <https://bit.ly/3jsGZXq>

Capire will be running more Webinar's of this kind in the future, so [sign up](#) here to stay informed!

Update from VAGO

The following information was distributed to Councils by VAGO on 24 June and is shared here for Member Information.

VAGO performance audit and other integrity bodies update - June 2021 audit update is [attached](#) for your reference.

MAV WorkCare:

Earlier this month, I was made aware that MAV's WorkCare Self-Insurance Scheme (MAV WorkCare) will cease operation as of 30 June 2021. MAV WorkCare currently provides workers' compensation coverage to 29 council entities. I understand that under the participation agreement conditions, the cessation **will have an impact on the 2020-21 financial reports of the Scheme's participants (both present members and past members)**. Based on my meetings with MAV management and LGV on this matter:

- Net financial impact of this wound-up process to MAV Work Care is not expected to be known before the first week of September 2021 at the earliest. This could **potentially have an accounting impact** (as an 'adjusting event after the reporting period' under AASB 110) for members completing 2020-21 financial reports (and financial indicators in performance statement) after the date scheme's financial impact is crystallised.
- Currently there is a disclosure note in the model financial report regarding MAV Work Care (as part of contingent liability disclosures). I understand LGV will be issuing a revised disclosure and guidance material, shortly. **Revised disclosure** and financial impact of the scheme wound-up process will need to be included for 2020-21 and considered for next 6 years to meet WorkSafe licence requirements.

Victorian Ombudsman report - Investigation into Melton City Council's engagement of IT company, MK Datanet Pty Ltd:

This report highlights specific risks in relation to IT projects and importance of key procurement processes and controls. It is topical as LG sector is going through a period of IT upgrades and business transformation projects. More broadly, findings from this report shows the **importance of robust checks and balances in all procurement areas and highlights weaknesses** including:

- lack of due diligence in the tender and procurement processes
- work split across multiple different engagements related to one piece of work
- declaration of any conflicts of interest processes by employees and contractors
- induction process for contractor vs council employees

Refer to the attached June 2021 sector update document for link to this report.

Asset Revaluations:

With councils finalising asset revaluation work as at 30 June 2021, some common revaluation issues to look out for:

- Where revaluation is performed before 30 June, we are requesting for revaluation report to be extended to take into consideration **any COVID19 impacts on fair value of assets as at 30 June 2021**. Ensure supporting evidence for unit rates, recent land sales data etc., are reasonable and appropriate.
- Any **changes to key assumptions and methodologies by the valuers** in their valuation approach need supporting evidence. In such instances, suggest to provide auditors with management position on

appropriateness and reasonableness of these changes. This may also have implications for financial statement disclosures.

- Not revaluing investment property under separate requirements of AASB 140 Investment Property.
- To meet financial reporting deadlines, engage with your external valuers / service providers early.
- Indexation methods applied by Councils as part of managerial assessment to **consider the cumulative impact since the last revaluation**. Our expectation is that if the cumulative assessment indicates material movement in asset values – this will either lead to a formal valuation or the fair value of the asset is adjusted as at 30 June 2021 by booking a journal entry to reflect the cumulative indexation movement.
- Changes in discount rates for public use from previous valuations, without explanation (e.g. 25% discount for public use zoning in current year valuation vs 20% in the previous valuation).
- Misallocation of property types when conducting assessment of index movement (e.g. using an average of Residential, Commercial and Englobo index movements, when the Council only owns Commercial land).
- Councils not having conducted condition assessments for more than 5 years
- Councils not being able to provide supporting evidence for their condition assessments
- Councils not being able to provide any supporting evidence for unit rate (CRC) calculations
- Councils not being able to provide data in the Fixed asset register to support asset listing.

Related parties:

- With **new councillors from 2020 LG elections as new related parties**, please ensure your new Councillors (and KMPs) are aware of the financial reporting requirements of AASB 124 Related Party Disclosures.
- From an audit perspective, we remain focused on appropriate related party disclosures of Councillors and KMP. The [LGV guidance](#) for reference.

Audit committee forum:

VAGO held annual Audit Committee forum on Friday 4 June 2021. Please find below links to the presentation videos and slides.

Risk Management and Innovation, presented by Andrew Greaves

[Presentation recording](#)

[Presentation slide deck](#)

Leading by Example, presented by Dave Barry

[Presentation recording](#)

Delivering Performance Engagements, presented by Renee Cassidy

[Presentation recording](#)

[Presentation slide deck](#)

Audit Committee Effectiveness: Insights From Our interactions Across the VPS & Financial Audit Services, presented by Roberta Skliros

[Presentation recording](#)

[Presentation slide deck](#)

Cyber and Data Security Risk Management, presented by John O'Driscoll

[Presentation recording](#)

[Presentation slide deck](#)

Bank confirmation process:

- The process for confirming bank account balances is similar to prior year. The process will require an authorised Council staff member approving the release of the bank confirmation via the online platform. This process will be managed by your auditor (either VAGO or our audit service providers) where relevant.

Remote auditing:

- Find attached '[Tips to get ready for a remote audit](#)' for your consideration.

Kind regards, Sanchu

This email is sent to audit committee members, senior management in local government sector, LGV and FinPro. This email with additional audit related matters will also be forwarded to our audit service providers (ASPs). Feel free to pass this information to anyone who will benefit from it.

Sanchu Chummar

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MAV – Local Government Asset Management Survey

By way of information to FinPro members, the MAV wrote to all CEO's last week inviting them to participate in the MAV's Asset Management Survey.

The MAV has been liaising with LGV to support councils to improve asset management in the context of the new Local Government Act. We have been working closely to ensure there is no duplication of effort.

This short survey will help MAV to understand the current context for asset management within Victorian councils and identify options for improvement. It is the first step in delivering the asset management action in MAV's Strategic Plan.

For more information we encourage you to speak with staff within your Council.

The survey will close in two weeks – COB Wednesday 14 July 2021.

FinPro Software Survey

We are in the process of establishing a Finance software Register for the sector. Thanks to all the councils who have responded to the survey and returned their listing of software. The register is nearing completion, with only 14 councils remaining.

Once completed we will share this register with member councils, with the intent that this information will provide you with a source of information should you wish to speak to other councils that utilise particular systems.

Seeking member assistance

**Our mantra is to
'Make our member's
work lives easier'**

One way we can do this is by sharing council policies. Another is by our team looking at a variety of policies on a particular issue and then building a 'best practice' policy out of them. Our plan is to do both of these, depending on the particular policy.

We are seeking your assistance to put together these really valuable resources for you all, our members and are now seeking policies for the following:

- Procurement policy
- Borrowing strategy/policy
- Borrowing tender
- Hardship policy
- Reserves policy/Strategy
- Pricing/Cost recovery policy

If your council has any of these policies that they would consider well done, or even 'best practice' and you are willing to share it, could you please send it through to [gab](#) and we will either share it as it is, or work with it (and others) to build a 'best practice' policy for all our members.

In advance, thank-you.

Join the conversation

As most members will know, we support a FinPro Member-wide Forum, enabling members to ask questions, share information and provide answers. The forum is on Yammer and if you are a member and not currently involved, please contact Gab to join – gabrielle@finpro.org.au

Some of the current conversations / questions on our Yammer Forum are around:

- What methods do councils use when capitalising staff salaries to specific capital projects.
- Refunds of franking credits from the ATO – relating to small managed fund investments
- Searching for 'infographics' to highlight some fast-facts for the 10-year financial plan and / or Council plan

If you are interested in any of these conversations, or would like to start a conversation of your own we encourage you to get online and take part in the FinPro Yammer Forum.

General Information

Research proves your brain needs breaks

This general interest article is shared courtesy of Dr Adam Fraser,

Back-to-back virtual meetings can be extremely stressful. For many of us, back-to-back video meetings have increased due to the pandemic era which has made it difficult to stay focused on important tasks due to the overload of these meetings.

*So, how do you stay focused and on track to get the most out of your day? Microsoft breaks it down with their latest research and reveals their simple remedy to fight of "meeting fatigue"... **SHORT BREAKS**. But for when and for how long?*

[READ MORE HERE](#) and check out the article to see how to efficiently incorporate these breaks into your day!

Current positions advertised on the [FinPro Website](#)

- **Capital Portfolio Lead**
- City of Greater Bendigo
- Refer to the [Council website](#) for more information
- If you require any further information regarding this position, please contact Michelle Stedman, Coordinator Strategic Capital Management on (03) 4408 6547.
- Applications must be received by close of business Tuesday July 6, 2021.

- **Property and Revenue Coordinator**
- Wangaratta Rural City Council
- Refer to the [Council website](#) for more information
- For further enquiries about this position should be directed to Claire Barnes, Manager Finance on 0428 301 120
- Applications close 11 July 2021

FinPro Executive Team 2021

President

Bradley Thomas (Hepburn SC)

Vice-President – Chair Professional Development

Binda Gokhale (Wyndham CC)

PD Committee Members

Alan Wilson (Melbourne CC)

Belinda Johnson (Southern Grampians SC)

Charles Nganga (Casey CC)

Melissa Baker (South Gippsland SC)

Vice-President – Chair Technical

Tony Rocca (Maroondah CC)

Technical Committee Members

Danny Wain (Monash CC)

Fiona Rae (Golden Plains SC)

Mark Montague (Whittlesea CC)

Nathan Morsillo (Greater Bendigo CC)

Simone Wickes (Frankston CC)

Wei Chen (Yarra CC)

Secretary / Treasurer

Gabrielle Gordon

Thank-you to our 2021 Corporate Partners

- APV Valuers and Asset Management
- Commonwealth Bank
- CT Management
- .id informed decisions
- Ibis Information Systems
- MAGIQ Software
- LG Solutions
- Maia Financial
- New Era Management
- VOTAR Partners
- Vision Super
- Westpac

FinPro Contact Details

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