



SHIRE OF GNOWANGERUP

MINUTES

Audit Committee

Wednesday 26th June 2019

Commencing at 2:00pm

Council Chambers 28

Yougenup Road, GNOWANGERUP WA 6335

COUNCIL'S VISION

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AUDIT COMMITTEE TERMS OF REFERENCE

Objectives of the Audit Committee

The primary objective of the audit committee is to accept responsibility for the annual external audit and liaise with the local government's auditor so that Council can be satisfied with the performance of the local government in managing its financial affairs.

Reports from the committee will assist Council in discharging its legislative responsibilities of controlling the local government's affairs, determining the local government's policies and overseeing the allocation of the local government's finances and resources. The committee will ensure openness in the local government's financial reporting and will liaise with the CEO to ensure the effective and efficient management of the local government's financial accounting systems and compliance with legislation.

The committee is to facilitate:

- the enhancement of the credibility and objectivity of external financial reporting;
- compliance with laws and regulations as well as use of best practice guidelines relative to audit, risk management, internal control and legislative compliance;
- the provision of an effective means of communication between the external auditor, the CEO and the Council.

Powers of the Audit Committee

The Audit committee is to report to Council and provide appropriate advice and recommendations on matters relevant to its term of reference. This is in order to facilitate informed decision-making by Council in relation to the legislative functions and duties of the local government that have not been delegated to the CEO.

The committee is a formally appointed committee of council and is responsible to that body. The committee does not have executive powers or authority to implement actions in areas over which the CEO has legislative responsibility and does not have any delegated financial responsibility. The committee does not have any management functions and cannot involve itself in management processes or procedures.

Membership

The committee will consist of all elected members of Council. All members shall have full voting rights. The CEO and employees are not members of the committee.

The CEO and senior staff attend meetings to provide advice and guidance to the committee.

The Presiding Member and Deputy Presiding Member must be elected in accordance with section 5.12 and Schedule 2.3 of the Act.

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Meetings

The committee shall meet at least quarterly.

Additional meetings shall be convened at the discretion of the Presiding Member.

Reporting

Reports and recommendations of each committee meeting shall be presented to the next ordinary meeting of the Council and must be moved by the Presiding Member, or in his/her absence the Deputy Presiding Member, or in both their absences, any other member of the committee.

Functions of the Audit Committee

The functions of the committee, pursuant to Reg. 16 of the *Local Government (Audit) Regulations 1996* will be to:

- a) guide and assist the local government in carrying out its functions:
 - i. under Part 6 (Financial Management) of the Act; and
 - ii. relating to other audits and other matters related to financial management;
- b) guide and assist the local government in carrying out the local government's functions in relation to audits conducted under Part 7 (Audit) of the Act;
- c) review a report given to it by the CEO under regulation 17(3) (the CEO's report) and is to:
 - i. report to the council the results of that review; and
 - ii. give a copy of the CEO's report to the council;
- d) monitor and advise the CEO when the CEO is carrying out functions in relation to a review under
 - i. regulation 17(1); and
 - ii. the Local Government (Financial Management) Regulations 1996 regulation 5(2)(c);
- e) support the auditor of the local government to conduct an audit and carry out the auditor's other duties under the Act in respect of the local government;
- f) oversee the implementation of any action that the local government:
 - i. is required to take by section 7.12A(3) of the Act; and
 - ii. has stated it has taken or intends to take in a report prepared under section 7.12A(4)(a) of the Act; and
 - iii. has accepted should be taken following receipt of a report of a review conducted under regulation 17(1); and
 - iv. has accepted should be taken following receipt of a report of a review conducted under the *Local Government (Financial Management) Regulations 1996* regulation 5(2)(c);
- g) perform any other function conferred on the audit committee by these regulations or another written law.

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Shire of Gnowangerup

NOTICE OF COMMITTEE MEETING OF COUNCIL

Dear Committee Member

A meeting of the Audit Committee of the Shire of Gnowangerup will be held on Wednesday 26th June 2019, in the Council Chambers, 28 Yougenup Road, Gnowangerup, commencing at 2:00 pm.

Signed:  _____

S. Pike
CHIEF EXECUTIVE OFFICER

Meaning of and CAUTION concerning Council's "In Principle" support:

When Council uses this expression it means that:

- (a) Council is generally in favour of the proposal BUT is not yet willing to give its consent; and*
- (b) Importantly, Council reserves the right to (and may well) either decide against the proposal or to formally support it but with restrictive conditions or modifications.*

Therefore, whilst you can take some comfort from Council's "support" you are clearly at risk if you act upon it before Council makes its actual (and binding) decision and communicates that to you in writing.

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DISCLAIMER

No responsibility whatsoever is implied or accepted by the Shire of Gnowangerup for any act, omission or statement or intimation occurring during Council or committee meetings.

The Shire of Gnowangerup 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 or committee meeting does so at that person's or legal entity's own risk.

In particular and without detracting in any way from the broad disclaimer above, in any discussion regarding any planning application or application for a licence, any statement or intimation of approval made by any member or officer of the Shire of Gnowangerup during the course of any meeting is not intended to be and is not taken as notice of approval from the Shire of Gnowangerup.

The Shire of Gnowangerup advises that anyone who has any application lodged with the Shire of Gnowangerup shall obtain and should only rely on **written confirmation** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Gnowangerup in respect of the application.

Signed: _____

S. Pike

CHIEF EXECUTIVE OFFICER

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AGENDA

1. OPENING OF MEETING

Presiding Member Keith House, welcomed Members, Staff and visitors and opened the meeting at 2:03pm.

2. ACKNOWLEDGEMENT OF COUNTRY

The Shire of Gnowangerup would like to acknowledge the Goreng people who are the Traditional Custodians of this land. The Shire of Gnowangerup would also like to pay respect to the Elders both past and present of the Noongar Nation and extend that respect to other Aboriginals present.

3. ATTENDANCE/APOLOGIES

3.1 ATTENDANCE

Cr Keith House	Shire President
Cr Fiona Gaze	Deputy Shire President
Cr Chris Thomas	
Cr Richard House	
Cr Frank Hmeljak	
Cr Greg Stewart	
Shelley Pike	Chief Executive Officer
Vin Fordham Lamont	Deputy Chief Executive Officer
Anita Finn	Executive Assistant

3.2 APOLOGIES

Cr Lex Martin
Cr Ben Moore
Cr Shelley Hmeljak

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4. CONFIRMATION OF PREVIOUS MEETING MINUTES

4.1 AUDIT COMMITTEE MEETING MINUTES 27th MARCH 2019

COMMITTEE RESOLUTION

Moved: Cr F Gaze

Seconded: Cr G Stewart

AC0619.07 That the minutes from Audit Committee meeting held on 27th March 2019 be confirmed as a true and correct record of proceedings.

UNANIMOUSLY CARRIED: 6/0

5. OFFICER ITEMS

5.1 2019 FINANCIAL MANAGEMENT SYSTEMS REVIEW

Location:	N/A
Proponent:	Sean Fletcher – Strategic Teams
File Ref:	ADM0018
Date of Report:	14 th June 2019
Business Unit:	Strategy and Governance
Officer:	V Fordham Lamont - Deputy Chief Executive Officer
Disclosure of Interest:	Nil

ATTACHMENTS

- Copy of the 2019 Financial Management Systems Review

PURPOSE OF THE REPORT

For the Audit Committee to receive and note the 2019 Financial Management Systems Review and recommend its acceptance to Council.

BACKGROUND

Regulation 5.1 of the *Local Government (Financial Management) Regulations 1996* states that:

Efficient systems and procedures are to be established by the CEO of a local government —

- (a) for the proper collection of all money owing to the local government; and
- (b) for the safe custody and security of all money collected or held by the local government; and
- (c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and
- (d) to ensure proper accounting for municipal or trust —
 - (i) revenue received or receivable; and
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities;and
- (e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and
- (f) for the maintenance of payroll, stock control and costing records; and
- (g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

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Regulation 5.2 goes on to say that:

The CEO is to —

- (a) ensure that the resources of the local government are effectively and efficiently managed; and
- (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

COMMENTS

The previous Financial Management Systems Review (FMSR) was conducted in 2016 on the Shire's behalf by AMD Chartered Accountants. In 2019, Mr Sean Fletcher from Strategic Teams was contracted to conduct the FMSR.

The Review makes the following recommendations:

Record Keeping

Overall, the Shire's Financial Records are extremely well managed. The other hardcopy records though that require improvement in some areas are:

1. The records at the Shire Depot kept in the Manager of Works' office. Further consideration should be given to providing a secure and fire resistant environment for these documents;
2. Inclusion of an introduction to the leases, agreements and contracts register that lists all vital records, what they are and how they are managed and secured.

The Disaster Recovery Plan is critical to the security of records going forward. The Record Keeping risk is moderate until such times as this plan is implemented.

Tendering

1. The Executive Assistant (with support from the Deputy CEO) must ensure that all tenders, including the resulting contracts are recorded and filed appropriately;
2. It would be appropriate for the Depot Casual Administration Officer to increase her working hours from one day a week to two days a week so that the Shire's records at the Depot are filed and recorded appropriately.

Procurement/Accounts Payable

1. The Senior Finance Officer to offer training to relevant staff on the correct process for filling out a purchase order including the reasons why this is important.
2. The Senior Finance Officer is to return the purchase order to the requesting officer for correction and to advise that person's relevant manager. If the matter is still not rectified, then the Deputy CEO is to advise the CEO of non-compliance.

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Corporate Credit Card Transactions

The Office of the Auditor General, as part of its audit into Local Government regarding Controls Over Corporate Credit Cards (May 2018) based on DLGSC Guideline 11 – Use of Corporate Credit Cards, did not find any inappropriate use of credit cards and in the main there were satisfactory controls in place. However, the OAG noted shortcomings on policies and practices regarding corporate credit cards.

Each of the conclusions in the FMS Review found that, in the main, the way credit cards are controlled at the Shire of Gnowangerup is consistent with DLGSC Guideline 11 – Use of Corporate Credit Cards. Accordingly, it is recommended that:

1. Revised Policy 4.7 Corporate Credit Card Policy is adopted by Council at the June 2019 OCM.
2. Revised Policy 4.7 should include a certification of payment clause similar to the following:

The signed corporate credit card statement and all supporting documentation are to be given to the CEO for certification. The CEO's signed corporate card statement and all supporting documentation will be provided to the Shire President for certification.

Assets – Fixed Asset

The remaining asset management plans do need to be implemented as a matter of priority as they create a moderate risk in terms of compliance. It would seem that the Asset and Waste Management Coordinator is undertaking tasks that may detract from the remaining plans being completed in a timely fashion.

Debtors

1. The Senior Finance Officer to offer training to relevant staff on the correct process for identifying and verifying the ownership structure for a private works debtor.
2. The Senior Finance Officer is to return the private works debtor to the requesting officer for correction and to advise that person's relevant manager. If the matter is still not rectified, then the Deputy CEO is to advise the CEO of non-compliance.

Other Matters – Procedures and Checklist

It is the review's opinion that the Financial Control Manual is replaced by a simple reference checklist regarding current and relevant policies and procedures instead and where these documents can be located.

CONSULTATION

Nil

LEGAL AND STATUTORY REQUIREMENTS

Local Government (Financial Management) Regulations 1996

Regulation 5 CEO's duties as to financial management

POLICY IMPLICATIONS

Nil

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FINANCIAL IMPLICATIONS

The cost of the FMSR is \$4,500. An amount of \$7,000 was allocated in the half yearly budget review to account 59032 for this purpose.

STRATEGIC IMPLICATIONS

Strategic Community Plan

Theme: Financial Sustainability

Objective: Effective management to conduct business in a financially sustainably manner

STRATEGIC RISK MANAGEMENT CONSIDERATIONS:

Nil

IMPACT ON CAPACITY

Nil

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil

CONCLUSION

The FMSR found that, overall, the Shire of Gnowangerup has very good Financial Management Systems policies, procedures and software systems (i.e. suitable for Gnowangerup as a small local government) in place. The finance officers have good knowledge and skills and are managed by the Deputy CEO who has a strong commitment to the integrity of the organisation. This has allowed the CEO to run the Shire on a day to day basis with confidence.

VOTING REQUIREMENTS

Simple majority

COMMITTEE RESOLUTION

Moved: Cr C Thomas

Seconded: Cr R House

AC0619.08 That the Audit Committee:

- 1. Receive and note the 2019 Financial Management Systems Review and recommend its acceptance to Council; and**
- 2. Acknowledge the good work of the Deputy CEO, Senior Finance Officer and other staff in relation to the review.**

UNANIMOUSLY CARRIED: 6/0

Heart of the Sterlings



SHIRE OF GNOWANGERUP

Financial Management Systems Review 2019

Report

Sean Fletcher PGCertMgt(UWS), GradDipRegDev W.Aust, MLGMA

ABSTRACT

This document contains the Reviewer's findings regarding the Financial Management Systems Review 2019 conducted at the Shire of Gnowangerup during the period 4 – 6 June 2019.

Summary of Findings

Requirements

The objective of this Financial Management Systems Review is to report on the adequacy and effectiveness of The Shire of Gnowangerup's Financial Management Systems policies, procedures and software as required by *Local Government (Financial Management) Regulations 1996*, Regulation 5(2):

The CEO is to –

- (a) ensure that the resources of the local government are effectively and efficiently managed; and
- (b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
- (c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 3 financial years) and report to the local government the results of those reviews.

Definition of a Financial Management System

A financial management system is the methodology (including policies and procedures) and software that an organisation uses to oversee and govern its income, expenses, and assets with the objectives of maximising profits and ensuring sustainability.

An effective financial management system improves short and long-term business performance by streamlining invoicing and bill collection, eliminating accounting errors, minimising record-keeping redundancy, ensuring compliance with tax and accounting regulations, helping personnel to quantify budget planning, and offering flexibility and expandability to accommodate change and growth.

<http://searchfinancialapplications.techtarget.com/definition/financial-management-system>

Although it is good practice to have an effective financial management system, local government must also comply with relevant legislation and regulations. The *Local Government (Financial Management) Regulations 1996*, Regulation 5 states the following:

5. Financial management duties of the CEO

- (1) *Efficient systems and procedures are to be established by the CEO of a local government –*
 - (a) *for the proper collection of all money owing to the local government;*
 - (b) *for the safe custody and security of all money collected or held by the local government;*
 - (c) *for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);*
 - (d) *to ensure proper accounting for municipal or trust –*
 - (i) *revenue received or receivable;*
 - (ii) *expenses paid or payable; and*
 - (iii) *assets and liabilities;*
 - (e) *to ensure proper authorisation for the incurring of liabilities and the making of payments;*
 - (f) *for the maintenance of payroll, stock control and costing records; and*
 - (g) *to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.*

Regulation 19 deals specifically with Investments:

- (1) *A local government is to establish and document internal control procedures to be followed by employees to ensure control over investments.*
- (2) *The control procedures are to enable the identification of —*
 - (a) *the nature and location of all investments; and*
 - (b) *the transactions related to each investment.*

These systems and procedures are in the form of financial accounting software (Synergysoft), statutory reporting requirements, well documented procedures and well trained staff.

An ongoing way of determining the effectiveness of the financial management systems and procedures is to assess the Shire's internal control system. The following are examples of controls that are typically reviewed:

- separation of roles and functions, processing and authorisation;
- control of approval of documents, letters and financial records;
- comparison of internal data with other or external sources of information;
- limit of direct physical access to assets and records;
- control of computer applications and information system standards;
- limit access to make changes in data files and systems;
- regular maintenance and review of financial control accounts and trial balances;
- comparison and analysis of financial results with budgeted amounts;
- the arithmetical accuracy and content of records;
- report, review and approval of financial payments and reconciliations; and
- comparison of the result of physical cash and inventory counts with accounting records.

Internal controls are important for safeguarding the Shire's assets and ensuring financial information is accurate and reliable.

All internal controls, whether administrative or accounting, are linked to a financial consequence. For example, keeping records for long service leave entitlements is an administrative control but it does ultimately have a financial consequence.

Types of controls used to ensure accurate and reliable financial information include:

- ✓ Assigning responsibility for who can create or alter financial records.
- ✓ Numbering documents, such as cheques, sequentially to avoid duplication.
- ✓ Regular reconciliation of accounts.
- ✓ Automated controls, such as valid date ranges or dollar value limits.
- ✓ Comparisons between budgeted and actual figures (and justification of differences).
- ✓ Segregation of duties.
- ✓ Procedures for authorisation of payments.
- ✓ Independent checks.
- ✓ Validation checks.
- ✓ Exception reports.
- ✓ Approved authority levels.
- ✓ Annual leave taken regularly so that another staff member can check what the other has been doing.
- ✓ Existence of an up to date Asset Register.

Procedures explain the how, why, what, where and when for any set of actions. Written procedures help train new staff by explaining why they need to do what is asked of them. Written procedures reduce errors and help staff understand the business quickly. And, most importantly, it reduces the time taken to train new staff.

There is also the subject of valuing and trusting staff. It is proven that if staff are valued and trusted they are less likely to act in a dishonest manner. This, along with strong processes and procedures assists with lessening the chances of misappropriation of funds.

Links that are relevant to the Shire of Gnowangerup as a small local government are:

<http://www.cpaaustralia.com.au/professional-resources/business-management/small-business-internal-controls-for-small-business> - Internal Controls for Small Business (PDF)

<https://www.dlgc.wa.gov.au/Publications/Pages/WA-Local-Government-Accounting-Manual.aspx> - WA Local Government Accounting Manual Section 7 – Internal Control Framework

<https://audit.wa.gov.au/wp-content/uploads/2019/02/Audit-Results-Report-Annual-2017-18-Financial-Audits-of-Local-Government-Entities.pdf>

Western Australia Auditor General's Audit Results Report – Annual 2017-18 Financial Audits of Local Government Entities

<https://www.ccc.wa.gov.au/sites/default/files/Report%20on%20Misconduct%20Risk%20in%20Local%20Government%20Procurement.pdf%20>

Corruption and Crime Commission Report on Misconduct Risk in Local Government Procurement

Process

The Financial Management Systems Review 2019 was conducted on the back of the Interim Audit and is something that the Office of the Auditor General is supportive of i.e. there should be a very strong correlation between the external audits performed, the Reg 17 Review and the Financial Systems Management Review.

The Office of the Auditor General does require the person conducting the review not to be the Shire's auditors.

The Financial Systems Management Review 2019 was conducted in the following manner:

- A start up meeting with the Deputy CEO and Senior Finance Officer;
- Interviews by the Reviewer with relevant staff and support consultants;
- Observation of staff performing key tasks including the use of electronic systems;
- Review of key documents including Council policies, procedure manuals, monthly financial reports, daily and weekly processing reports, asset management plans and the delegations and authorisations registers, the annual and primary returns registers and the gifts/travel register.
- A debrief on completion of the on-site visit with the Deputy CEO, the Senior Finance Officer and the CEO;
- Cross checking of key Shire policies and documents with the Reg 17 Review outcomes, the findings of the 2017/2018 Office of the Auditor General Report into Local Government, Corruption and Crime Commission Reports into Local Government (especially re process mapping) and the outcomes and documentation relevant to the May 2019 Interim Audit;
- A risk rating was applied to each matter reviewed and tested using the Shire's Risk Management Policy.

Overview of Findings

Overall, the Shire of Gnowangerup has very good Financial Management Systems policies, procedures and software systems (i.e. suitable for Gnowangerup as a small local government) in place. The finance officers have good knowledge and skills and are managed by the Deputy CEO who has a strong commitment to the integrity of the organisation. This has allowed the CEO to run the Shire on a day to day basis with confidence.

The Review makes the following recommendations:

Record Keeping

Overall, the Shire's Financial Records are extremely well managed. The other hardcopy records though that require improvement in some areas are:

1. The records at the Shire Depot kept in the Manager of Works' office. Further consideration should be given to providing a secure and fire resistant environment for these documents;
2. Inclusion of an introduction to the 'leases, agreements and contracts' register that lists all vital records, what they are and how they are managed and secured.

The Disaster Recovery Plan is critical to the security of records going forward. The Record Keeping risk is moderate until such time as this plan is implemented.

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Other Matters – Procedures and Checklist

It is the review's opinion that the Financial Control Manual is replaced by a simple reference checklist regarding current and relevant policies and procedures, and where these documents can be located.

Sean Fletcher
Principal Consultant

PART A

Rates and Rate Rebates, Concessions, Discounts and Interest

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Revenue	Rates and Rate Rebates, Concessions, Discounts and Interest	100	Low	Yes	No

Details of Risk

1. Shire does not raise the correct level of rate income.
2. Interim rates not being processed promptly affecting the cash flow of the Shire.
3. The property master file does not remain accurate.

Audit Procedures Performed

Reviewed and identified details of risk (listed above) with the Rates Officer and the Senior Finance Officer to establish whether core and additional controls are in place. This included:

1. Whether reconciliations are undertaken of all rateable properties within the Shire with district maps to ensure all properties are rated (excluding properties exempt from rates).
2. Whether interim and back rates are being raised promptly.
3. Whether independent reviews are carried out of all master file changes to ensure information is entered correctly and any errors corrected.

Conclusions

1. There are 873 rate assessments for the Shire of Gnowangerup. Reconciliations are conducted according to the rate rolls (master files) provided by the Valuer General:
 - a. GRV Roll is provided once every five years. The review of the GRV roll was conducted last year;
 - b. UV Roll is provided annually.
2. The Finance Officer uses the Rates Module in Synergy to verify the district and locality maps for all rateable properties.
3. The Rate Rolls are balanced at the start of each financial year. The subsequent Rate Reports are produced at the end of each month with the rate values reviewed by the Finance Officer and then verified by the Senior Finance Officer. This ensures that the Master Files are correct.
4. Interim (changes) rates are processed when they come through and are reviewed each month in line with the Rate Report mentioned in 3. This ensures that interims are kept up to date. No backlog was identified.
5. A 50% concession is applied to the Amelup Locality regarding the properties classified as tourism assessments. This is suitable, instead of using the differential rating process, due to the number of properties involved. A draw for prizes is also conducted to encourage early payment of rates.
6. Outstanding Rates are \$242,965 out of a general rate base of \$3,797,395 (after concessions of \$8,701 are applied). Of these, \$117,904 is for deferred rates applied to Pensioners/Seniors. The balance of \$125,061 represents 3.3% outstanding, which is an acceptable tolerance despite being a high risk normally. This is because the consequence of the amount outstanding is on the medium to lower end and is a matter that can be managed by the Deputy CEO/CEO through debt collection and thus ensures that the matter is one of low risk.
7. The Rating Information Brochure issued to Rate Payers with their Rate Assessments is of a high standard.

8. The Shire has adequate resources in place to manage its rate base. The Finance Officer uses the procedures she has in place to assist her conduct the rates function.

Control Deficiencies

There are no identifiable control deficiencies. The officers that perform the rates function are knowledgeable and skilled regarding appropriate systems and functions.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Record Keeping

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Records	Record Keeping	N/A	Moderate	Yes	Yes

Details of Risk

1. Records are inadequately safeguarded.
2. Records are either not recorded, inaccurately recorded or not recorded at all.
3. Inadequate response from a disaster event.

Audit procedures performed

Establish whether internal controls were in place for safeguarding and recording of records, and proper compliance with legislation. Control assessments include whether:

Part One

- 1.1. Records are stored in a secure and safe location.
- 1.2. Access to records is in accordance with security classifications and protected from potential violation.
- 1.3. There is a proper Records Keeping Plan in place approved by Council and submitted every five years to the State Records Commission (SRC).
- 1.4. Minutes of Council Meetings are secured in bound minute books and minutes are signed and dated.
- 1.5. There are proper procedures in place for access to Shire records by the general public under the Freedom of Information Act 1992.
- 1.6. Access to Shire Records by Elected Members and the public to be through the Chief Executive Officer in accordance with the *Local Government Act 1995*.
- 1.7. A Disaster Recovery Plan is in place and there is a Vital Records register.
- 1.8. There are procedures for the authorised disposal of Shire records.
- 1.9. Changes for access to Shire records are based on authorised approvals.

Part Two

- Officers that have custody of records are aware of their statutory obligations under the *State Records Act 2000*.
- Regular training is provided to records staff on their statutory obligations.
- There is good record keeping of all digital records as they can be more vulnerable to loss or unauthorised modification.
- Records required to be permanently retained are held within the Shire archives.
- All employees and contractors providing services to or on behalf of the Shire comply with the Record Keeping Plan.
- The Code of Conduct (Working Ethically with Shire Resources) documents the appropriate use of Shire resources and is reviewed and updated regularly.

Note: The reviewer clarified much of the above with the Shire's records consultant.

Conclusions

Part One

1. The Shire's records are secure and in safe locations as follows:

- a. The Main Administration Records are secured in a compactus in the Community Resource Centre;
 - b. The Property Assessment files are secured in a compactus in the back office of the Shire Admin Office;
 - c. The records used by the Manager of Works and other outside staff are being established in a dedicated file list in the Manager of Works' office;
 - d. Financial records are secured by each officer, with key records kept in the strongroom which is fireproof.
 - e. The Medical Records are secured at the Medical Centre.
2. The keeping of the Administration Records, the Assessment Records and the Financial Records is very low risk. However, although the keeping of hardcopy records at the Depot is being improved, they are not essentially in a controlled environment.
 3. The Shire has finished the review of its record keeping plan, the first time it has been revised in 13 years. It is due at the State Records Office by 30 June 2019. Record Keeping Plans are required to be reviewed every five years.
 4. The minutes are bound and kept in the strongroom, which is fireproof, with the door always shut.
 5. As per the Draft Record Procedures (and the Shire's Freedom of Information Statement).
 6. As per the Draft Record Procedures – must seek approval from the CEO.
 7. A disaster recovery plan is being developed and is due to be in place by 31 December 2019. Vital records such as MOUs, leases, agreements and contracts are kept in the appropriate register in the strongroom, which is fireproof. It would be appropriate to have a guidance note as part of the electronic 'leases, agreements and contracts register' that details how the vital records are managed in the strongroom (which is fireproof).
 8. The Shire does have a formal records disposal procedure and process in place.
 9. The changes in access to records is now in the draft records procedures. The Shire has been very careful managing this up until its formalisation.

Part Two

1. Appropriate staff are aware of their obligations under the State Records Act.
2. The Shire is very proactive in providing records training to its staff.
3. The Shire is a hardcopy organisation. Digital records are kept as required.
4. Archived records are kept either at the Shire Depot or off site at an accredited location i.e. Albany Records Management (the majority of archived records).
5. Not all staff comply with the Record Keeping Plan – Depot.
6. The Shire's Code of Conduct is clear that staff need to work ethically and in accordance with the Local Government Act and the Local Government (Administration) Regulations.
7. The Shire has a range of documents in place that assist management of the Shire's resources including the Governance Manual, Council Finance Policies, Procedure Manuals, Integrated Planning and Reporting documents (recognising that there are a number of asset management plans to be completed) and the Monthly Financial Statements.

Control Deficiencies

1. The safe keeping of hardcopy records at the Depot is not ideal. However, the Draft Record Keeping Procedure Manual identifies that:
 - a. Only the Authorised Access Person can manage the physical files; and
 - b. The File Movement Register needs to be completed when moving a file.
2. The revised Record Keeping Plan and the Draft Record Keeping Procedure Manual will address the more immediate risks. However, the lack of a Disaster Recovery Plan at this stage keeps the risk moderate.

Review Recommendations

Overall, the Shire's Financial Records are extremely well managed. The other hardcopy records though that require improvement in some areas are:

1. The records at the Shire Depot kept in the Manager of Works' office. Further consideration should be given to providing a secure and fire resistant environment for these documents;
2. Inclusion of an introduction to the 'leases, agreements and contracts register' that lists all vital records, what they are and how they are managed and secured.

The Disaster Recovery Plan is critical to the security of records going forward. The Record Keeping risk is moderate until such times as this plan is implemented.

Management Response

The Shire is committed to the implementation of the Disaster Recovery Plan. This was also a key finding in the Reg 17 Review which recommended that it was implemented by 31 December 2019.

Manex will discuss further the safekeeping of records at the Shire Depot. The recommendation regarding the listing of vital records will be undertaken.

Expenses – Payroll

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Expenses	Payroll	100	Low	Yes	No

Details of Risk

1. Payroll expense is inaccurately calculated.
2. Payroll disbursements are made to incorrect or fictitious employees

Audit procedures performed

Conducted a risk assessment review of payroll and tested key controls to establish whether they have operated effectively. This included:

- Looking at the timesheet input process;
- The effectiveness of the payroll input system (Synergy or other).

Conclusions

1. The Finance Officer is responsible for the payroll function at the Shire (with the Senior Finance Officer as the backup during leave etc.). Accordingly, the Finance Officer was able to demonstrate good knowledge and skill of the payroll process and the appropriate levels of authority used including:
 - a. The payroll cycle at the Shire of Gnowangerup is fortnightly.
 - b. Tracking of the input of timesheets using a timecard summary sheet. This ensures that no timesheets are missed. This also includes the tracking of leave taken.
 - c. Skilled use of the Synergy Payroll module including input of timesheets and the generation of the payroll payment and audit batch reports.
 - d. The reports are then reviewed and signed off by the Senior Finance Officer.
 - e. Once the allowances are accounted for, the final report(s) for upload to NAB Online are approved by the Senior Finance Officer and the Deputy CEO.
 - f. The at bank (on-line) approval for payment is authorised by the CEO and Deputy CEO by way of dongle / smart phone authorisation or dongle by the Manager of Works and the Asset and Waste Coordinator if the former are not available.
 - g. All reports are kept as hardcopy in the Strongroom (as this is fireproof) for the current year. The previous year is archived once the annual audit has been completed in October each year.
2. The payroll input system (Synergy Payroll) is maintained by the Shire, works well and is effective.
3. The Shire has adequate resources in place to manage the payroll function.

Control Deficiencies

There are no identifiable control deficiencies. The staff that perform the payroll function are knowledgeable and skilled regarding appropriate systems and functions.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Trust Funds

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Trust Funds	As per the Trust Fund	10	Low	Yes	No

Details of Risk

Contributions not being calculated correctly resulting in an understatement of contributions e.g. Transport Licensing, BCITF etc.

Audit procedures performed

1. Reviewed the determination and calculation of contributions.
2. Confirmed the balance of funds held in trust.

Conclusions

1. The Trust is maintained separately and was reviewed for April 2019 and found to be calculated correctly.
2. The funds held in Trust for April 2019 are \$28,964.06.
3. The processes used to manage the trust funds are sound:
 - a. Calculation and the application of interest monthly for each item listed in the Trust is correct.
 - b. Payments from the Trust are made by way of cheque once an authorisation form has been completed. There are two signatories required for both the authorisation form and the cheque. These are: CEO and Deputy CEO or Manager of Works and the Asset and Waste Management Coordinator if the former are not available;
 - c. The BCITF fees, payable as a percentage of building application fees, are now balanced each month to the BCITF Portal.

Control Deficiencies

There were no control deficiencies found. The risk is low in nature including financial, reputational and compliance risk.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Adoption of Fair Value Accounting

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Assets	Non-current Assets	As per tolerances for Fair Value re the Shire of Gnowangerup	Low	Yes	No

Details of Risk

1. Assets not being recognised at fair value in accordance with legislation (*Local Government (Financial Management) Regulations 1996*) and Australian Accounting Standards *AAB13 Fair Value Measurement* and *AASB116 Property, Plant & Equipment*.
2. Assets not being revalued every three years and values not remaining current, relevant and complying with legislative requirements

Audit procedures performed

Gathered information including the plan for the recognition of non-current assets at fair value. Discussions to be held with the external auditors on methodology used by the shire for revaluation of asset classes in order to comply with legislative requirements and Australian Accounting Standards.

Discussed with Deputy CEO – Asset Types and when they were/are to be valued.

Conclusions

1. Griffin has conducted the fair value process at the Shire of Gnowangerup according to legislation and the Australian Accounting Standards as follows:
 - a. 2016/2017: Land and Buildings
 - b. 2017/2018: Infrastructure and Other
 - c. 2018/2019: Plant, Furniture and Equipment
2. The Griffin Valuation Report for Land and Buildings (2017) confirmed the following:
 - a. Replacement with New Value: \$51,911,000
 - b. Fair Value: \$27,028,780
3. This means that all of the Shire's assets can continue to be revalued on a three (3) yearly cycle.
4. The Shire will be going to RFQ during 2019 to appoint a valuer to undertake the next three year cycle regarding conducting the fair value process at the Shire of Gnowangerup for its non-fixed assets.

Control Deficiencies

There are no identifiable control deficiencies. The Shire, through using Griffin, has ensured that the fair value of its non-fixed assets has been undertaken according to the Regulations and the Australian Accounting Standards. This has reduced the risk from moderate to low.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Tendering

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Expenses	Tendering	N/A	Moderate	Yes	Yes

Details of Risk

1. Improperly evaluating and awarding tenders by not following proper legislative requirements, processes and procedures.
2. Potential for challenges by unsuccessful tenders leading to litigation, and probable investigation by not complying with policy, procedures and legislation.

Audit procedures performed

The Shire has reviewed, and is in the process of updating, the procurement policy and procedures which includes tendering to ensure the policy document is current, relevant and complies with legislative requirements.

The Internal Auditor (Deputy CEO) does attend a number of tender evaluations, both as an observer and as a member of the evaluation panel, to ensure the process being followed conforms to legislative requirements, policy and procedures and is transparent. This ensures that the tender process is low risk.

The Review confirmed that the Shire has a Tender Register in place maintained by the Executive Assistant that is kept in the strongroom.

It was also confirmed that the Shire has a lease and contracts register in place to record leases, agreements and contracts. The Corporate Support Officer maintains this register and the lease and contract documents are secured in the strongroom. However, senior staff contracts are kept secured in a locked, fireproof cabinet in the Deputy CEO's Office. Only the Deputy CEO, Senior Finance Officer and the Finance and Rates Officer have access to these files.

Conclusions

1. The conducting of the tender process is managed, in the main, as required:
 - a. The Tender Register is now managed by the Executive Assistant:
 - i. The WALGA Tender Register recording template has been implemented;
 - ii. All required documentation was found to be in the Tender Register. All records for the tenders for 2017 in the Tender Register were found to be complete;
 - iii. A hardcopy file record is made for each tender called. These are tracked electronically as well;
 - iv. Only one tender record sheet did not have the name of the successful tenderer recorded i.e. Key Worker Housing Tender RFT2018-03. This was drawn to the attention of the Deputy CEO and the Executive Assistant.
 - b. The officer responsible for each tender:
 - i. Prepares the specification and initial information and the necessary advertisement;
 - ii. Confirms that the Executive Assistant is the first point of contact, receives the tenders and compiles these for the tender opening, and sets up the appropriate tender file;
 - iii. Arranges for the tender evaluation panel to open and assess the tenders;

- iv. Prepares the report on the recommended tenderer to Council for its consideration. The report on Key Worker Housing Tender RFT2018-03 was found to be of a good standard.
2. Some tender documents have not been filed, or filed incorrectly. This includes:
 - a. The tender documents for the WANDRRA 2017 Flood Project (RFT 01 – 03) that were located in an archive box by the Reviewer in the Shire spare office. These documents need to be recorded in Central Records and filed in the Shire’s record keeping system;
 - b. The tender documents for the recent Key Worker Housing Tender RFT2018-03 located in the Executive Assistant’s Office.
3. There were three signed contract documents found at the Depot and not in the Lease/Contracts Register i.e. three of the WANDRRA 2017 Flood Contracts:
 - a. RFT-01-17
 - b. RFT-02-17
 - c. RFT-03-17
4. It would be appropriate for the Casual Depot Administration Officer at the Depot to have an increase in her hours from one day a week to at least two days a week to ensure that she has time to complete the review of the records held at the Depot and implement proper record procedures in accordance with the Shire’s Records Procedure Manual for the Depot staff to follow.

Control Deficiencies

1. The non-filing of the original contracts for tenders RFT-01-17, RFT-02-17, RFT-03-17 in the ‘leases, agreements and contracts’ register and, similarly, RFT2018-03, is a key concern. It has been explained to the officers concerned that this is a serious matter.
2. The non-registration of the contracts for RFT-01-17, RFT-02-17, and RFT-03-17 is of equal concern.
3. Although improvements are being made to the hardcopy records kept at the Depot, they are not adequately secured, nor are they protected from fire risk as mentioned elsewhere in this report.
4. The risk is moderate because there has been an issue of non-compliance within the last three years and the consequence is major that could result in imposed penalties for records that have not been recorded and are unsecured.

Review Recommendations

1. The Executive Assistant (with support from the Deputy CEO) must ensure that all tenders, including the resulting contracts are recorded and filed appropriately;
2. It would be appropriate for the Depot Casual Administration Officer to increase her working hours from one day a week to two days a week so that the Shire’s records at the Depot are filed and recorded appropriately.

Management Response

The Shire will action the recommendations regarding Tendering

Procurement/Accounts Payable

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Expenses	Procurement/Accounts Payable	Unquantifiable	Low	Yes	Yes

Details of Risk

1. The Shire not having a purchasing policy and procedures in place.
2. The purchasing policy and procedures being irrelevant by not being regularly reviewed and updated.
3. Unauthorised purchase orders being raised.
4. Insufficient evidence of goods being received.
5. Supplier's invoices not matched with purchase orders.
6. Goods and services not being approved prior to payment.

Audit procedures performed

1. Checked whether the Shire has a purchasing policy and procedures in place.
2. Checked whether the purchasing policy and procedures is regularly reviewed and updated.
3. Checked whether purchase orders are able to be raised without a purchase requisition.
4. Checked whether there are delegated limits of authority assigned as part of policy and procedures.
5. Checked supplier invoices are matched with delivery dockets or other evidence confirming the receipt of goods and services
6. Checked supplier invoices are approved prior to processing of accounts for payment.
7. Checked supplier invoices are reconciled with supplier statements.
8. Checked controls are in place to ensure no one supplier exceeds the \$150,000 threshold without going to tender.
9. Checked there is a register in place for all cheques issued including cancelled cheques.

Conclusions

The Shire has very good controls in place regarding its purchasing practices. In particular, it was noted:

- The Shire has a Purchasing Policy in place that is regularly reviewed. The current policy has been reviewed and will be presented to Council at the June 2019 OCM. Staff also have procedures in place and use them;
- Purchase Orders are raised as they should be without the need for a requisition, and the appropriate approvals are obtained;
- Finance staff led by the Senior Finance Officer clearly demonstrated matching of invoices to delivery dockets, submitting the invoices received to the appropriate officer to confirm the good or service has been received, that appropriate approvals are obtained before processing of accounts and the undertaking of the reconciliation with supplier statements is carried out. Synergy prevents purchase orders being raised without the appropriate authority;
- The Senior Finance Officer uses BOARD Version 10 to interrogate Synergy to test for tender situations i.e. if a supplier of a good or service is reaching the \$150,000 threshold. The Reviewer tested three suppliers for the three year threshold test and found one was a tender situation (BGL) which the Shire has acted on accordingly. The others, Primaries Hardware \$23,000 for the last three years and Ongerup and Gnowangerup Tyres & Automotive \$65,000 respectively, were under the threshold;
- The Cheque Register is maintained appropriately. A report regarding the creditors run is generated fortnightly that is also used to verify the status of any cheques issued;

- However, some officers (outside staff) are still failing to complete purchase orders appropriately. In particular, they are not nominating the value of the purchase required even though the financial management staff have amended the purchase order so that the purchasing officer concerned can tick the level of purchase required.

Control Deficiencies

Not all purchase orders are being compiled correctly despite making it much easier for the staff involved to do so.

Review Recommendations

1. The Senior Finance Officer to offer training to relevant staff on the correct process for filling out a purchase order including the reasons why this is important.
2. The Senior Finance Officer is to return the purchase order to the requesting officer for correction and to advise that person's relevant manager. If the matter is still not rectified, then the Deputy CEO is to advise the CEO of non-compliance.

Management Response

The Shire will implement the recommendations and monitor for improvement through Manex.

Leases and Contributions by Lessees/Asset Additions and Agreements

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Revenue	Contributions by Lessees/ Asset Additions	10	Low	Yes	No

Details of Risk

1. Leases and Agreements are not properly registered, signed, sealed and kept safe and secure.
2. Contributions and capital improvements to shire owned property not being identified and captured in the financial records of the shire when completed resulting in an understatement of income and non-current assets.
3. Shire assets are underinsured as capital improvements are not captured for insurance purposes in the asset register.

Audit procedures performed

The Contracts/Leases/Agreements Register and the Common Seal Register were reviewed. This included confirming:

- The electronic copy spreadsheet for contracts, leases and agreements is maintained in the W Drive and filed in Central Records in Synergy. The hardcopy versions of each contract, lease and agreement is filed alphabetically in the strongroom, which is fireproof;
- The electronic version of the common seal register was reviewed;
- The LGIS template has been used for the last two years;
- All leases, agreements and contracts due to expire are revised by Manex six months before they are due to expire.

There were no identified leases or agreements in place that required notification of capital improvements to Shire property.

Conclusions

The Shire's leases and agreements along with the Common Seal Register are managed very well by the Corporate Support Officer. However, a number of contracts were found not to be recorded. However, this was not due to an error by the Corporate Support Officer, but rather those officers responsible for undertaking the tender process.

The ongoing valuation of the Shire's assets using fair value will pick up all asset improvements, if they occur.

Control Deficiencies

There were no control deficiencies found regarding leases and agreements. The Shire manages its 'leases, agreements and contracts' register extremely well. However, specific issues regarding contract documents are discussed in the section dealing with Tenders.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Fringe Benefits Tax (FBT) Liability – 2018/2019

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Liabilities	FBT 2018/2019	35	Moderate	Yes	No

Details of Risk

1. The FBT for the year has been improperly calculated with the potential for understatement of this liability.
2. There is insufficient supporting information to substantiate the determination of the FBT liability.
3. Employees not being fully aware of the principles and rules in relation to FBT which may result in additional FBT and operating expenditure.

Audit Procedures Performed

1. Reviewed and tested the calculation and determination of the FBT liability for 2018/2019.
2. Ensures depreciation rates, grossed up fringe benefits amount, and fringe benefits percentages for 2018/2019 were rates prescribed by the Australian Taxation Office (ATO).
3. Ensured substantive records were being maintained such as completed log books for motor vehicles, and supplier's invoices for entertainment etc.
4. Compared the FBT for 2018/2019 with the previous year to establish whether savings had occurred over the past year through the use of improved practices and the close monitoring in the use of shire vehicles (**note:** this may or may not be an issue).

Conclusions

1. The Reviewer found that the FBT Liability for 2018/19 is correct. The template used was developed by DL Consulting and is comprehensive and in keeping with the ATO Model.
2. The FBT rates applied are as per the ATO requirements. The Senior Finance Officer reviews the ATO portal to ensure rates used are current.
3. Substantive Records are being kept including vehicle logbooks and supplier's invoices for the Staff Christmas Function. Hardcopies of these records are maintained.
4. The FBT payable is consistent from year to year, taking into account changes to the value of the vehicles that have FBT applied. The CEO and Manager of Works have FBT applied due to personal use. The DCEO does not have FBT applied as his vehicle is used for car-pooling purposes i.e. other Shire staff can access and use the DCEO Vehicle to attend training, seminars, meetings and so on. This is the same for the Shire Pool Vehicle.

Control Deficiencies

There were no control deficiencies found. The risk is moderate in nature as the value each year is \$35,000 and the likelihood of an error is possible. The controls to manage this risk are effective and if there is a problem can be resolved by the Deputy CEO within their area of responsibility.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Corporate Credit Card Transactions

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Expenses	Corporate Credit Cards	10	Insignificant	Yes	Yes

Details of Risk

1. Corporate credit cards are issued to unauthorised employees
2. Corporate credit cards are used for purchases of a personal nature

Audit procedures performed

Established that the following controls were in place to mitigate risk:

1. CEO approves all issues of corporate credit cards prior to release.
2. Employees sign a declaration confirming compliance with shire policy and procedures
3. Access restricted to Credit Card Register and credit card documentation.
4. Usage restrictions placed on credit cards.
5. Credit card holder matches all transactions with supporting information within seven days (**note:** check policy).
6. Any personnel expenses are investigated and rectified.
7. Improper use will result in disciplinary action.
8. Finance staff check all statements to ensure transactions are correct.

Note: The CEO's expenditure is co-signed by the Shire President.

Conclusions

1. Two officers currently hold a corporate credit card. They are the CEO and Deputy CEO. Both have an authorised limit of \$10,000.
2. Both officers have signed a declaration confirming compliance with existing requirements.
3. There is a Credit Card Register in place, maintained by the Senior Finance Officer. This register is reviewed every two years.
4. Usage restrictions currently applied by the Shire are in accordance with:
 - a. Policy 4.7 – Corporate Credit Card Policy. This is a short statement that limits the issue of credit cards to the CEO and Deputy CEO with a \$10,000 limit for each;
 - b. Procedure 4.12. This procedure outlines the management and controls in place for the use of credit cards.
5. Any expenditure is provided to the Senior Finance Officer immediately.
6. There was no evidence of personal expenditure.
7. There was no evidence of improper use.
8. A statement is compiled at the end of each month for approval. It was noted that the Shire President signed off on both the CEO and DCEO monthly statement for April 2019.

Control Deficiencies

1. The Reviewer noted that the Shire President was signing off (certifying) both the CEO's Credit Card Statement and the Deputy CEO's Credit Card Statement. The CEO should be signing off on the statement for the Deputy CEO and the Shire President signing off on the CEO's statement.
2. The current policy is inadequate in terms of the full scope of the controls required despite being listed in Procedure 4.12. The controls will be formalised in the adoption of the revised Policy 4.7 – Corporate Credit Card Policy (which is consistent with DLGSC Guideline 11 – Use of Corporate Credit Cards) for consideration at the June 2019 OCM.
3. The use of corporate credit cards is high even though the limit is \$10,000. This is because the likelihood of misuse by other card holders in other local governments has occurred more than

once a year. However, the controls in place at the Shire of Gnowangerup have ensured that misuse has not occurred and so the controls in place are considered effective ensuring that the residual risk is insignificant.

Review Recommendations

The Office of the Auditor General, as part of its audit into Local Government regarding Controls Over Corporate Credit Cards (May 2018) based on DLGSC Guideline 11 – Use of Corporate Credit Cards, did not find any inappropriate use of credit cards and in the main there were satisfactory controls in place. However, the OAG noted shortcomings on policies and practices regarding corporate credit cards.

Each of the conclusions in the FMS Review found that, in the main, the way credit cards are controlled at the Shire of Gnowangerup is consistent with DLGSC Guideline 11 – Use of Corporate Credit Cards. Accordingly, it is recommended that:

1. Revised Policy 4.7 Corporate Credit Card Policy is adopted by Council at the June 2019 OCM.
2. Revised Policy 4.7 should include a certification of payment clause similar to the following:

The signed corporate credit card statement and all supporting documentation are to be given to the CEO for certification. The CEO's signed corporate card statement and all supporting documentation will be provided to the Shire President for certification.

Management Response

Manex, through the CEO, is satisfied with Recommendations 1 and 2.

Review of Compliance Audit Return 2018

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Compliance Audit Return 2018	Governance – Legislative Compliance	N/A	Low	Yes	Yes

Details of Risk

The Compliance Audit Return for 2018 is inaccurate and does not comply with legislation and the return was not presented to the Audit Committee, with the results reported to Council for adoption and submission to the Department of Local Government and Communities by 31 March 2019.

Audit procedures performed

1. Reviewed the answers to all questions contained in the Compliance Audit Return for 2018 (CAR) and discussed outcomes with the Executive Assistant and the Deputy CEO. The CAR is a statutory document issued by the Department of Local Government and Communities covering the period 1 January to 31 December 2018. The CAR included the following specific areas:
 - a. Commercial Enterprises by Local Governments.
 - b. Delegation of Power/Duty.
 - c. Disclosure of Interests.
 - d. Disposal of Property.
 - e. Finance.
 - f. Integrated Planning and Reporting.
 - g. Local Government Employees.
 - h. Official Conduct.
 - i. Tenders for Providing Goods and Services.
2. Confirmation that the CAR document was presented to the Audit Committee, with the results reported to Council for adoption and submission to the Department of Local Government, Sport and Communities by 31 March 2019.

Conclusions

The Audit Committee reviewed and accepted the CAR at its meeting on 27 March 2019 as shown in the Audit Committee Minutes on this date. Council accepted the CAR from the Audit Committee at its meeting on 27 March 2019 as shown in the Council Meeting Minutes on this date.

The Shire's Smart Hub portal shows that it submitted the CAR on 28 March 2019.

Control Deficiencies

It was noted that Council does not show in the minutes that it has carried a motion by an Absolute Majority even though there are sufficient elected members present that pass a resolution of this type.

The compliance risk is low as the Shire manages its responsibilities well and on time in terms of submitting the CAR to the Audit Committee, Council and the Department.

Review Recommendations

That the Council meeting minutes in future state by way of example "Carried by Absolute Majority 9/0" where the vote is recorded.

Management Response

Decisions that require an absolute majority will be recorded in the minutes as such in future.

Fees and Charges

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Revenue	Fees and Charges	10	Moderate	Yes	No

Details of Risk

1. Fees and charges are not reviewed regularly and updated with potential loss in revenue.
2. Non-compliant with legislation, namely amendments to fees and charges following adoption of the annual budget, have not been approved by Council.

Audit procedures performed

1. Established whether fees and charges have been reviewed and whether GST was applicable for new fees and charges.
2. Ascertained whether amendments to fees and charges following adoption of the annual budget had been approved by Council.

Note: The reviewer will also test for whether there were fees or charges adopted outside of the budget process

Conclusions

The Reviewer found that fees and charges have been reviewed as required and discussed with the Senior Finance Officer in terms of how to determine whether GST should be applied to each:

- This included historical understanding regarding former Treasurer Instruction 11 that listed exempt categories for Western Australia initially; and
- The subsequent implementation of the GST Regulations 2013 and April 2019 regarding self-determination i.e. the Shire will need to justify why it has applied a GST exemption in future.

There were no amendments to the fees or charges outside the annual budget process.

Control Deficiencies

Nil. The risk of making an amendment to the fees and charges outside the budget process that has not gone through the required public consultation process is Moderate. Typically the amount raised from most fees is less than \$10,000 each and the likelihood of a fee or charge undertaken incorrectly is possible (once every three years). The annual review of fees and charges in April/May/June of each year in time for the budget adoption process is adequate and reduces the ongoing risk to low.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Monthly Statement of Financial Activity

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Legislative Compliance	Monthly Statement of Financial Activity	N/A	Low	Yes	No

Details of Risk

The Monthly Statement of Financial Activity does not conform to the prescribed statutory requirements. Regulation 34 of the *Local Government (Financial Management) Regulations 1996* requires a local government to prepare each month a statement of financial activity in a prescribed form on the revenue and expenditure as set out in the annual budget of the budget estimates to the end of the month and actuals to the end of the month, with an explanation of material variances and the net current assets at the end of the month to which the statement relates.

Audit procedures performed

Reviewed with the Senior Finance Officer the April 2019 Monthly Statement of Financial Activity regarding compliance with legislative requirements including adoption within the prescribed timeframe. Preparation of the MFS was also discussed with the Senior Finance Officer and DL Consulting.

Conclusions

The April 2019 Monthly Financial Statement was prepared on time and in accordance with the statutory requirements. The Senior Finance Officer is preparing the statements according to the template developed by DL Consulting with nil or minimal errors.

Control Deficiencies

There were no control deficiencies identified. However, the Reviewer suggested to the Senior Finance Officer it may be of benefit regarding the report on the variances to provide further explanation in terms of the specific dollar amounts of key income or expense that has occurred for each program area.

The compliance risk is low as the Shire has clearly demonstrated that it compiles the monthly financial statements in time for each council meeting. There are good templates in place equivalent to the industry benchmark and the Senior Finance Officer demonstrated good understanding regarding use of the templates.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Annual Budget 2018/2019

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Legislative Compliance	Annual Budget 2018/2019	Nil	Low	Yes	No

Details of Risk

1. As the annual budget prescribed by legislation is a document unaudited by the external auditors, and there is no statutory requirement for it to be audited, there is a potential risk in the adopted budget not being compliant with legislation.
2. The annual budget not being in the prescribed format when adopted.

Audit procedures performed

Reviewed the annual budget for content and compliance with legislation:

- That the Budget was submitted to Department on time (31 August 2018).
- Confirmation that the Statutory Budget contained the following:
 - Schedule of Fees and Charges
 - Statement of Comprehensive Income by Nature and Type
 - Statement of Comprehensive Income by Program
 - Rate Setting Statement
 - Statement of Cash Flow
 - Notes to and Forming Part of the Budget for the Year

Conclusions

The 2018/2019 was prepared in the prescribed format, adopted on 13 August 2018 and, along with the minutes, submitted to the Department on time i.e. 13 August 2018.

Control Deficiencies

Nil. The matter of risk is one of compliance. It is possible that the Shire does not submit the adopted budget on time that also a moderate consequence that puts this matter as a Moderate Risk. The Deputy CEO ensures that the Shire adheres to the mandated timelines set out in the Local Government Act, so the risk is low.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

PART B

Petty Cash and Cash Floats

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Assets	Petty Cash and Cash Floats	<1	Insignificant	Yes	Yes

Details of Risk

- Petty cash floats are inadequately safeguarded.
- Petty cash transactions are either invalid, inaccurately recorded or not recorded at all.

Audit procedures performed

A risk assessment of Petty Cash and Cash Floats was conducted and tested to ensure documented controls are in place and have operated effectively. Whilst reviewing the internal control environment, the following matters were considered:

- That cash and petty cash floats had appropriate levels of funds.
- The cash floats are adequately safeguarded.
- There are designated personnel responsible for controlling, reconciling and regularly reimbursing cash floats.
- There are regular and independent reviews of petty cash expenditure, and a reconciliation of the total value of all floats with the general ledger.

Conclusions

There are four floats used at the Shire of Gnowangerup:

- Administration Office Till: \$ 200
- Pool Float: \$ 300
- General Petty Cash: \$ 300
- Change Float: \$1,000 (Implemented with the closure of the banks in Gnowangerup)

Each float was found to be adequately guarded and controlled:

- Administration Till is removed from the Strong Room each morning by the Senior Finance Officer and secured in the Strong Room at the end of each day by the Customer Service Officer;
- The Pool Float is issued to the Pool Manager at the start of each season and returned by the Pool Manager at the end of each season and verified by the Senior Finance Officer accordingly;
- The General Petty Cash Tin is kept in the Strong Room and transactions tracked using the Petty Cash Book;
- Records are kept in the safe in the strong room with the Change Float. Two officers sign when change is made i.e. the Senior Finance Officer and the Finance Officer. This record was verified by the Reviewer.

The floats are reviewed by an external party on a regular basis:

- The Shire's Auditors AMD verified the four floats on Friday 31 May 2019.

DL Consulting has developed an improved Petty Cash Float Procedure that will be implemented during June 2019.

Control Deficiencies

Nil

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Assets – Fixed Assets

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Assets	Fixed Assets	100	Moderate	Yes	Yes

Details of Risk

The major risks faced by the Shire may be summarised as follows:

1. Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all.
2. Fixed Asset Register (FAR) does not remain relevant.
3. Fixed Assets are not valued correctly.
4. Depreciation charges are either invalid, not recorded at all or are inaccurately recorded.
5. Fixed Asset maintenance and /or renewals are inadequately planned.

Audit procedures performed

Conducted a risk assessment of fixed assets and tested whether key controls have been operating effectively.

Personnel responsible for fixed asset acquisitions, disposal, recording, and maintenance should have responsibility for only one such function and have no system access function other than their assigned function. In addition, personnel responsible for fixed asset transaction processing should have neither responsibility for fixed asset master file maintenance nor update access to the fixed asset master file.

Conclusion

1. Fixed asset additions, disposals, write offs are accurately recorded. Assets are also tested for impairment at year end and written down. The phasing in of assets at fair value has resulted in the identification and updating of assets and ensures the Shire complies with legislative requirements.

The Senior Finance Officer maintains plant and equipment assets as they occur. All other classes are treated at year end. Depreciation is applied monthly and is in accordance with the Long Term Financial Plan. Capitalisation occurs at changeover and is reviewed by the Deputy CEO. The Senior Finance Officer is also listing those items that are below the \$5,000 capitalisation threshold introduced on 26 June 2018.

2. Regular verification of fixed assets are conducted and reconciled to the Fixed Asset Register (FAR), and periodically reviewed for accuracy and ongoing pertinence when non-current assets are revalued by asset classes.
3. Fixed assets are recorded at cost or at valuation. The phasing in of assets at fair value over 3 years has resulted in the recognition of plant and equipment at valuation during 2018/2019 with land and buildings being revalued in 2016/2017, and all other classes by 2017/2018 and regular revaluations. This is a legislative requirement and will result in regular revaluations of assets (every 3 years).
4. The Shire uses straight line depreciation in accordance with Australian Accounting Standards. The accuracy of the depreciation expense will improve when condition assessments are conducted on each asset within asset classes as part of the revaluation process.
5. The asset management plans in place are:
 - a. Road and Footpath Network;

b. Airport

The Asset and Waste Coordinator is currently preparing the Sewerage Asset Management Plan. The Shire of Gnowangerup, like many local governments in Western Australia has yet to complete all of its asset management plans. The Asset and Waste Coordinator is using NAMMs and the IPWEA software to compile the plans and is hoping to do these at one a month. However, the recent DWER stipulation that there must be a 20 year asset management plan in place for the sewerage works and an action plan of 15 items is onerous.

6. The Asset Management Plans in place at this time do support the information contained in the annual budget and Long Term Financial Plan.

Control Deficiencies

Nil

Review Recommendations

The remaining asset management plans do need to be implemented as a matter of priority as they create a moderate risk in terms of compliance. It would seem that the Asset and Waste Management Coordinator is undertaking tasks that may detract from the remaining plans being completed in a timely fashion.

Management Response

The Shire, through the employment of the Asset and Waste Management Coordinator, is treating the completion of the asset management plans as a matter of priority.

Liabilities - Employee Provisions

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Liabilities	Employee Provisions	311	High	Yes	No

Details of Risk

1. Employee provisions are either incorrectly recorded or not recorded at all.
2. Payroll master file does not remain relevant and reflects current conditions within those records.

Audit procedures performed

1. Reviewed details of identifiable risk with the Deputy CEO, Senior Finance Officer and Payroll Officer to determine whether core and additional controls for maintaining employee entitlements were in place and functioning as intended. The requirements are:
 - a. RDOs accrued to a maximum of 4 days;
 - b. No more than 8 weeks annual leave is accrued;
 - c. Long service leave is taken in two blocks (as per the employment standards).
2. Tested the application of these controls through reviewing the leave liability report generated using Board Version 10.

Note: This includes A/L accrued for no more than 8 weeks and LSL is taken when due or in the appropriate allotments.

Conclusions

The leave liability was tested as at 5 June 2019:

- Annual Leave: \$160,214
- Long Service Leave: \$150,699

There is a leave reserve in place and DL Consulting reviews the Shire's leave liability annually. However, one staff member was found to be in excess of their annual leave accrual allowed, with three others that require close monitoring.

The Outside Staff require further training and/or information regarding the taking or clearing of their long service leave. Under the *Local Government (Long Service Leave) Regulations*, long service leave may be taken in not more than three separate periods. Some outside staff have been approved to take leave for periods less than this which creates a situation of taking long service leave in excess of the three periods allowed and so therefore is a breach of the Regulations.

Control Deficiencies

1. The Shire's total leave liability including sick leave and RDOs is \$562,464. This is a high risk financially if not managed properly.
2. Non-compliance with the Long Service Leave Regulations is a key issue. It must be cleared or paid out according to the regulations so that the leave liability does not become a greater risk.

Review Recommendations

That Manex monitors the leave accruals and liability to ensure staff clear their leave according to requirements.

Management Response

Manex will ensure that annual leave will be taken as required and that long service leave will be taken as required under the regulations.

Bank Reconciliations

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Assets	Bank Reconciliations	<1	Insignificant	Yes	No

Details of Risk

1. Regular bank reconciliations are not being undertaken of funds held in the bank with funds in the general ledger.
2. There are no independent reviews of bank reconciliations.
3. Funds held in trust are separated from Municipal Finds.
4. Journal entries not being processed and retained as a record on take up of bank interest, fees and charges.

Audit procedures performed

Reviewed the bank reconciliation working papers for period ending April and May 2019. Work performed included:

1. Establishing whether regular bank reconciliations were being carried out for all funds.
2. Whether bank reconciliations are reviewed by a senior officer independent from preparation of the bank reconciliation.
3. Whether funds held in trust are separated from Municipal Funds.
4. Verification that hard copies of journal entries processed electronically are retained for future reference as a file record and **approved**.

Conclusions

1. The Shire's bank reconciliations is carried each month on a manual basis by the Senior Finance Officer in accordance with the procedures maintained by her. The reconciliation is of a good standard and reflective of required practice. The monthly financial statements cannot be prepared effectively without the monthly bank reconciliation occurring.
2. In the lead up to the bank reconciliation commenced on the first of each month for the previous month, receipts are balanced daily, then weekly and payment plans for monies owing reviewed.
3. The four reconciliations conducted are:
 - a. The Municipal Fund (The Shire's main bank account);
 - b. The Professional Fund;
 - c. The Trust Fund;
 - d. The Reserves (investment funds).
4. The required journals are conducted appropriately and authorised.
5. The reconciliations are reviewed and approved by the Deputy CEO, the review including a comparison to the previous month.
6. Once the bank reconciliation is approved, the rate reconciliation is then conducted.
7. The reconciliations are stored hardcopy for each month.
8. The interim audit recommended that a date is put in the reconciliation spreadsheet for stale cheques identified to allow for ease of tracking in future. This has been implemented by the Senior Finance Officer.

Control Deficiencies

Problems with reconciliation of the bank reconciliation are insignificant in nature. They are generally less than a \$100, but more often than not, less than \$5. Systematic review of the trial balance highlights errors and the corrections are made by the Senior Finance Officer. This reduces the risk to nil.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Investments (Including Reserves)

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Assets	Investments	N/A	Low	Yes	No

Details of Risk

1. Council makes poor investment decisions
2. Delegations by the Chief Executive Officer to designated staff are not in place for the power to invest.
3. There is no regular independent review of the total funds invested.
4. Invested funds are not reconciled with amounts recorded in the general ledger.

Audit procedures performed

Reviewed and updated the Risk Control Assessment worksheet following discussion and examination of records. The review included:

1. Whether Council has a comprehensive investment policy in place to assist it when making decisions to invest funds.
2. Whether there are delegations in place for approving and making investment decisions
3. Whether investments are reviewed by a senior officer each month.
4. The total funds invested are regularly reconciled with the general ledger.
5. Whether the Reserves are reconciled each month.

Conclusions

The Shire has an investment policy in place that also includes the appropriate delegations to officer's to ensure investments are made when required. The investments are typically the Shire's Reserves Funds.

The Senior Finance Officer reviews the investments each month and will make a recommendation to the CEO and Deputy CEO to approve the investment to go ahead. This includes confirming interest rates with at least two banks: ANZ and NAB.

The Reserves are one of the four accounts each month that are reconciled with the general ledger.

The review of the April 2019 calculations for the Reserves found that they are managed properly and that the interest earned each month has been calculated correctly and applied accordingly including reporting in the Monthly Financial Statements.

Control Deficiencies

Nil. The risk is low as the Shire's Investment Policy ensures that funds are invested according to its parameters and the monthly financial statements confirm the amount invested and the interest earned.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Mail Remittances and Cash Receipts

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Revenue	Mail Remittances and Cash Receipts	<1	Low	Yes	No

Details of Risk

1. Mail remittances are not recorded and processed in a prompt manner with proper segregation of functions from receipt of cheques, to recording and banking.
2. Receipts over the counter are not recorded properly and banked promptly.

Audit procedures performed

1. Mail remittances:
 - A walk through was carried out of mail remittances to ensure a proper segregation of duties between the person who opens the mail not having access to accounting records and that mail remittances to a cashier does not have access to accounting records to prepare the deposit.
2. Cash receipts:

A walk through was carried of the cash receipting procedure at the front counter to ensure:

- Cash receipts are properly generated and issued
- Cheques are endorsed and included in the daily deposit
- There is a daily reconciliation of cash receipts to bank deposits and accounting records
- That deposits are collected and being banked regularly
- Receipts for trust are separated from municipal funds

Conclusions

1. Mail remittances are segregated appropriately:
 - a. Opening of the mail is conducted by the Customer Service Officer;
 - b. The mail is then recorded, hardcopy put on file and the electronic copy distributed to the relevant officer.
 - c. Cheques are processed and put into the Cheque Book Ledger for verification and endorsed by the Senior Finance Officer. The cheque is then registered in Synergy and put in the till where it is then put in the relevant daily bag for reconciliation at day's end.
 - d. The cheque receipt is printed for end of day and the copy issued to the customer.
2. The deposits are being banked each day and the trust receipts are kept separate from the municipal fund receipts.
3. The risk is low as the misallocation of a cheque payment is unusual. The consequence is on the bottom end of the risk and so vigilance by the Senior Finance Officer means the residual risk is low to insignificant.

Control Deficiencies

Nil

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Budget Review 2018/2019

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Legislative Compliance	Budget Review 2018/2019	N/A	Low	Yes	No

Details of Risk

The Shire does not comply with the statutory requirement of undertaking a budget review between January and March 2019 and presenting the results to Council and a copy of the review to the Department of Local Government and Communities within 30 days of its adoption.

Audit procedures performed

Established whether the Shire complied with the statutory requirement of undertaking a budget review between 1 January and 31 March for the financial year ending 30 June 2019, and if this review was submitted within 30 days to Council for consideration and adoption and a copy of the review provided to the Department of Local Government and Communities (the Department) within 30 days of its adoption.

Conclusions

The Council adopted the Shire's Statutory Budget Review on 27 March 2019 which is confirmed in the Council meeting minutes on this date. The Deputy CEO submitted the Budget Review through Smart Hub to the Department on time i.e. 27 March 2019.

Control Deficiencies

Nil. The Shire manages its budget review very well and in a timely fashion.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Long Term Financial Plan 2017-18 – 2026-27

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Legislative Compliance	Long Term Financial Plan 2017-18 – 2026-27	N/A	Low	Yes	No

Details of Risk

1. The Shire has not reviewed and updated its Long Term Financial Plan (LTFP)
2. The LTFP does not comply with legislation.
3. The LTFP was not adopted by Council and submitted to the Department of Local Government and Communities.

Audit procedures performed

Reviewed the Long Term Financial Plan for compliance with Section 5.56 of the *Local Government Act 1995* and the *Local Government (Administration) Regulations 1996*.

Ensured the Long Term Financial Plan (LTFP) was adopted by Council and that it is used to develop the Annual Budget and is an informing strategic document prepared under the Department of Local Government's Integrated Planning Framework.

Conclusions

The Shire has used its current Long Term Financial Plan well. It is clearly referenced as part of the Budget, the Budget Review and referenced as part of the Monthly Financial Statements. The Shire is currently reviewing its Long Term Financial Plan.

Control Deficiencies

Nil. The risk concerned is one of compliance i.e. meeting the IPR requirements of the Local Government (Administration) Regulations and the Departments IPR Guidelines.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Borrowings

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Liabilities	Borrowings - loans	N/A	Low	Yes	No

Details of Risk

The reviewer also looked at the loans the Shire has in place, including:

1. Appropriate calculations not in place for the loan liability re principal and interest (loan register?);
2. Appropriate authority not in place to undertake new loans outside of the budget process (if applicable).

Conclusions

1. The Senior Finance Officer is reconciling the Shire's loans each month:
 - a. The loans and their current position are tracked in Synergy's loan module (the loan register);
 - b. The liability (Government Guarantee Payment) for each month is verified using WATC's portal;
 - c. The loan liability is crosschecked on the bank statement each month.
2. The review of the WANDRRA 2017 draw down (not required) showed that the Shire has excellent tracking in place regarding loan liabilities to be undertaken.
3. The original debentures are secured for both current and past loans in the black registry files kept in the Strongroom;
4. Loans raised are in keeping with the Shire's Strategic Community Plan.
5. No loans have been raised outside the budget adoption process for each year reviewed.

Control Deficiencies

Nil. The Shire's good practices regarding its loans means that the risk of an error is low.

Review Recommendations

Nil

Management Response

Satisfied with the Review Outcome.

Debtors

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Assets	Debtors	<1	Insignificant	Yes	Yes

The Reviewer formed a view on where the Shire sits with its debtor system that is not encapsulated within the Rates process. These debtors are typically:

- Persons or groups that owe money for use of utilities provided to a Shire owned property e.g. staff housing;
- Persons or organisations that have submitted a private works request for a service to be carried out e.g. sewerage tank pump out or a grease trap pump out;
- Dog and cat registrations;
- Transport Licensing.

Conclusions

1. The May 2019 debtors' batch was reviewed. The Customer Service Officer administers the debtor process each month effectively. She compiles the debtor forms through the month and adds the private work debtors at the end of the month when received from the Depot. This includes stamping the forms and ensuring information is complete. She then goes into the Debtors module in Synergy to create a new batch.
2. Each debtor's batch is reviewed and signed off by the Senior Finance Officer. There is a clear audit trail of the debtor transactions and subsequent batching in the Synergy system. The Senior Finance Officer double checks. Invoices are then printed and issued.
3. Hardcopy Records are kept of each batch created and signed off.
4. Private Works are conducted at the Shire Depot. The Depot Admin Officer collates the Private works each month and sends these to the Customer Service Officer at the end of each month for reconciliation. The review of the Depot Private Works file confirmed that each private work has the request form and supporting documentation attached to it. Changes to a debtor's status are required to be in writing.
5. Dog and cat registrations are carried out effectively with officers handling transactions having the correct Authorisation in place to do so.
6. Transport licensing is managed effectively. Four staff (CSO, SFO, FO, and CDC) are trained to the required standard and are certified by the Department of Transport accordingly. The Customer Service Officer is the main licensing agent who starts Trellis each day and performs the end of day function. This includes sending the licensing forms to Albany daily for audit and correction. The receipts are verified in Synergy by the Senior Finance Officer. The Transport Licensing Manuals are in place and Officers contact Phone Support when required.
7. Documented procedures are in place as part of the Customer Service Officer Manual and the Finance and Rates Officer is the backup to the Customer Service Officer for this process.

Control Deficiencies

Although the financial risk with a private works debtor is low to insignificant, from a perception viewpoint the risk is slightly higher.

Although the Depot will fix or resolve a problem with a private works debtor directly, there have been occasions when a private work has been actioned without verifying the ownership structure of the debtor. It is understood that the Depot Admin Officer is relatively new to the role.

Review Recommendations

1. The Senior Finance Officer to offer training to relevant staff on the correct process for identifying and verifying the ownership structure for a private works debtor.
2. The Senior Finance Officer is to return the private works debtor to the requesting officer for correction and to advise that person's relevant manager. If the matter is still not rectified, then the Deputy CEO is to advise the CEO of non-compliance.

Management Response

The Shire will implement the recommendations and monitor for improvement through Manex.

Other Matters – Procedures and Checklists

Review Focus	Classification	Value \$'000	Risk	Management Judgement	Outstanding Matters
Procedures	Financial Control Manual	N/A	Low	Yes	No
Procedures	End of Month Checklists	N/A	Low	Yes	No
Procedures	Other Procedure Manuals	N/A	Low	Yes	No

Details of Risk

The reviewer also looked at documented procedures that the Shire has in place regarding its financial management systems. Risks are:

1. The requirement to keep documented procedures are onerous and undermine, or detract from the work of the officers concerned.
2. Documented procedures are not in place.

Conclusions

1. The Senior Finance Officer maintains the Financial Control Manual. This manual contains copies of the policies and procedures maintained and listed by staff in other places. The manual was introduced a number of years ago and is clearly a duplication of what is already in place. Because it is difficult to maintain, it quickly becomes out of date and may contain information that is no longer correct. It is the review's opinion that the Financial Control Manual is replaced by a simple reference checklist regarding current and relevant policies and procedures instead and where these documents can be located.
2. The Senior Finance Officer keeps excellent checklists that assist her verify that she and the finance staff have completed the necessary steps at the end of each month:
 - a. Senior Finance Officer including bank reconciliations, Creditors, debtors, assets and the monthly financial statements;
 - b. Finance and Rates Officer regarding payroll and rates;
 - c. Customer Service Officer including verifying the posting period is correct, receipting and debtors.
3. The Shire has in place a good framework to capture policies and procedures. These are kept both in electronic form on the W Drive and hardcopy form. All staff can access the relevant file through the Governance Folder on the W Drive for their position and either find the relevant policy, manual or procedure that is relevant to their respective roles. Officers can then print these out in hardcopy and refer to, if required. Staff demonstrated many times access to the Governance folder and use of their documented procedures through the course of the review.

Control Deficiencies

Nil

Review Recommendations

It is the review's opinion that the Financial Control Manual is replaced by a simple reference checklist regarding current and relevant policies and procedures instead and where these documents can be located.

Management Response

The Senior Finance Officer will replace the Financial Control Manual with a reference checklist.

COUNCIL'S VISION

Gnowangerup Shire – A progressive, inclusive and prosperous community built on opportunity

6. CLOSURE

There being no further business, Presiding Member Keith House closed the meeting at 2:13pm.