

Heart of the Stirlings



SHIRE OF GNOWANGERUP
BORDEN GNOWANGERUP ONGERUP

MINUTES

Audit Committee Meeting

24 August 2022

Commencing at 1:30pm

Council Chambers

Yougenup Road, Gnowangerup WA 6335

COUNCIL'S VISION

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

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 Deputy CEO will attend meetings, not as a member but to assist the Committee with any queries or requests for information.

The Executive Assistant or another nominated staff member will attend meetings to take the minutes.

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

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.

Shire of Gnowangerup

NOTICE OF A COMMITTEE MEETING OF COUNCIL

Dear Committee Member

A meeting of the Audit Committee of the Shire of Gnowangerup will be held on Wednesday 24 August 2022, in the Council Chambers, 28 Yougenup Road, Gnowangerup, commencing at 1:30pm.

Signed _____



Bob Jarvis
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.



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.

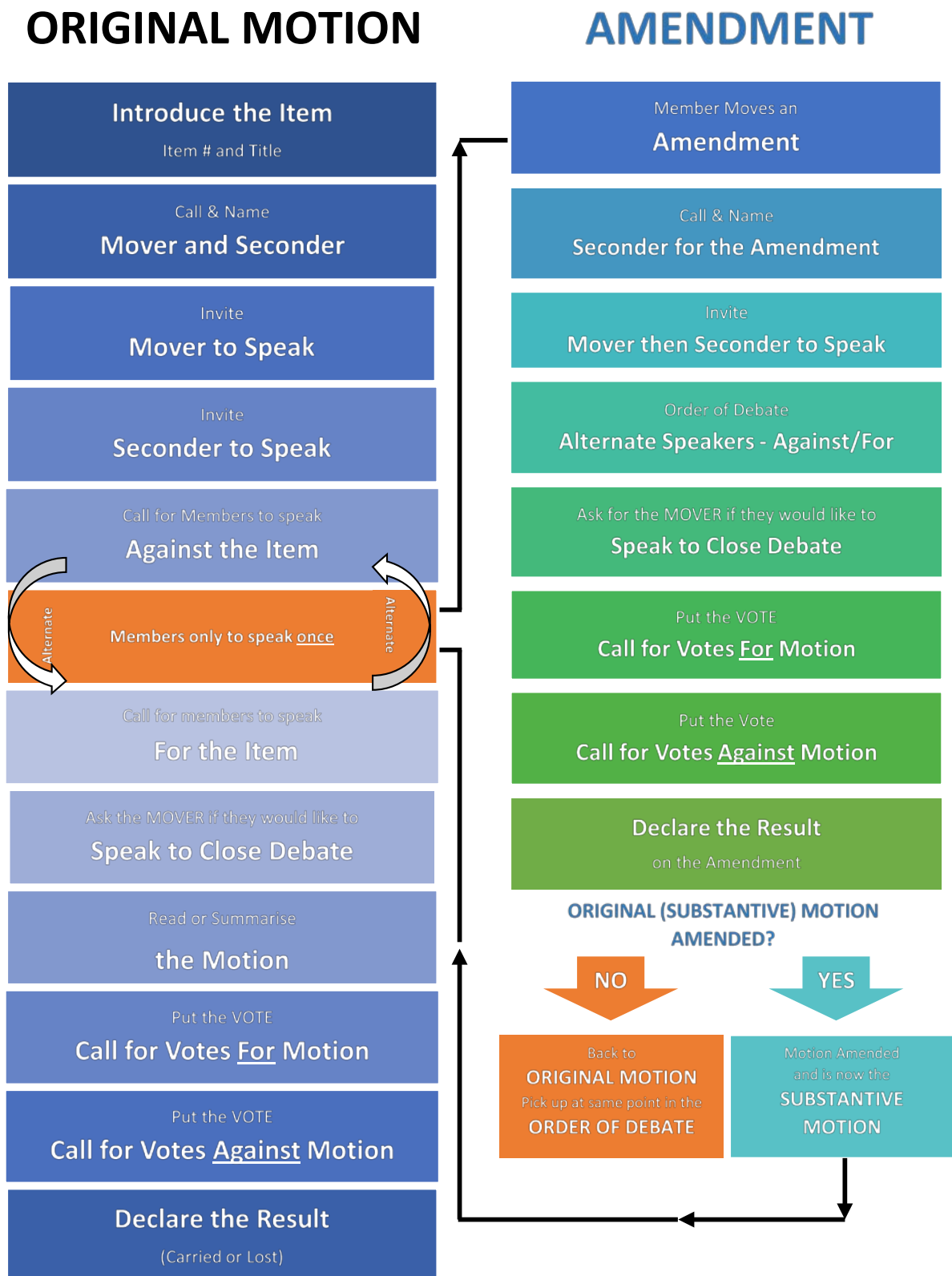
The Shire of Gnowangerup advises that anyone who has any application lodged with the Shire of Gnowangerup shall obtain and should only rely on **written confirmation** of the outcome of the application, and any conditions attaching to the decision made by the Shire of Gnowangerup in respect of the application.

These minutes are not a verbatim record but include the contents pursuant to Regulation 11 of *Local Government (Administration) Regulations 1996*.

Signed  _____

Bob Jarvis
CHIEF EXECUTIVE OFFICER

Process of Motions



Slight clarification of wording of motion: A minor amendment of the motion can be done at any time through the President with the approval of the Mover and the Secunder. The Minor amendment must be minuted.

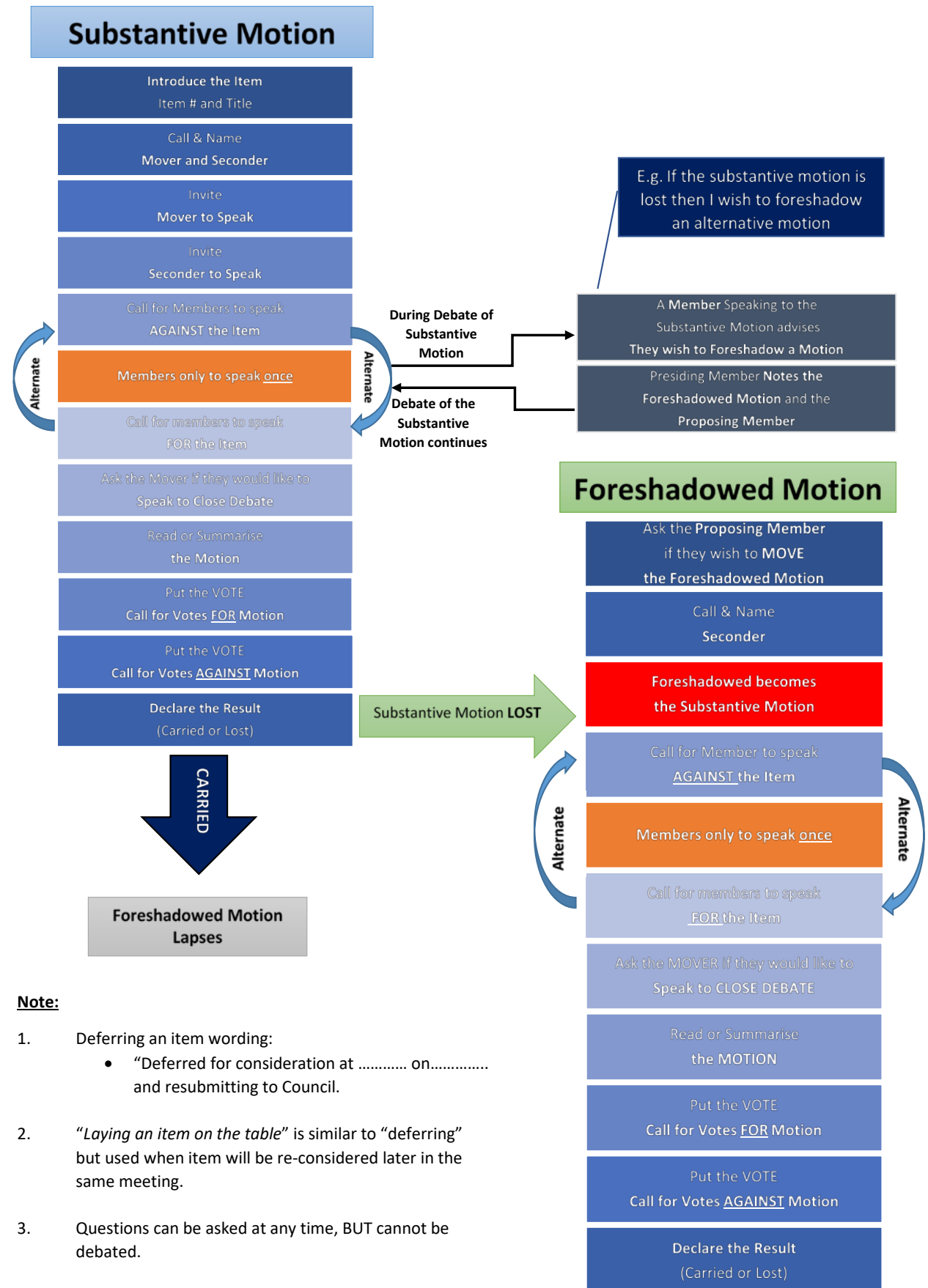


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OPENING PROCEDURES

1. OPENING AND ANNOUNCEMENT OF VISITORS

Presiding Member, Cr Fiona Gaze welcomed committee members and staff and opened the meeting at 1.35pm.

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 / APPROVED LEAVE OF ABSENCE

3.1 ATTENDANCE

Cr Fiona Gaze Shire President

Cr Shelley Hmeljak

Cr Mick Creagh

Cr Rebecca Kiddle

Cr Kate O’Keeffe JP

Cr Peter Callaghan

Cr Lex Martin

Cr Rebecca O’Meehan

Cherie Delmage

Deputy Chief Executive Officer

Anita Finn

Executive Assistant

3.2 APOLOGIES

Cr Greg Stewart JP

Deputy Shire President

4. CONFIRMATION OF PREVIOUS MEETING MINUTES

4.1 AUDIT COMMITTEE MEETING MINUTES 2 FEBRUARY 2022

COMMITTEE RESOLUTION

Moved: Cr S Hmeljak

Seconded: Cr R O’Meehan

AC0822.06 That the minutes of the Audit Committee Meeting held 2 February 2022 be confirmed as a true record of proceedings.

UNANIMOUSLY CARRIED: 8/0

5. OFFICER ITEMS

5.1	STRATEGIC RISK PROFILES STATUS REPORT
Location:	N/A
Proponent:	N/A
Date of Report:	5 August 2022
Business Unit:	Corporate and Community Services
Officer:	Cherie Delmage - Deputy Chief Executive Officer
Disclosure of Interest:	Nil

ATTACHMENT

- Strategic Risk Profiles Dashboard

PURPOSE OF THE REPORT

To provide Council's Audit Committee with an update on the organisation's strategic risk management status.

BACKGROUND

Officers presented a new Risk Management Policy and Procedure to Council at its ordinary meeting of 27 September 2018. The Policy was adopted at this meeting. The procedure document states:

'...the Risk Management dashboard for Strategic Risk Profiles should be presented to the Audit Committee on at least a 6-monthly basis.'

Officers have provided the dashboard report to comply with this statement.

COMMENTS

Executive staff identified a number of strategic risks and a profile was created for each. The Dashboard report provides the following information for each risk profile:

- A brief description of the risk.
- A list of current actions to mitigate the risk.
- A rating as to what degree the risk can be influenced.
- A risk rating.
- A rating of how successful existing controls are.

CONSULTATION

Nil

LEGAL AND STATUTORY REQUIREMENTS

Nil

POLICY IMPLICATIONS

Risk Management Policy

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Nil

STRATEGIC RISK MANAGEMENT CONSIDERATIONS:

See Comments section above.

IMPACT ON CAPACITY

Nil

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil

CONCLUSION

The Strategic Risk Profile Dashboard update report is provided for noting by the Audit Committee.

VOTING REQUIREMENTS

Simple Majority

COMMITTEE RESOLUTION

Moved: Cr P Callaghan

Seconded: Cr M Creagh

AC0822.07 That the Audit Committee:

Notes the Strategic Risk Profiles Dashboard updated as at 31 July 2022.

UNANIMOUSLY CARRIED: 8/0

**Shire of Gnowangerup
Risk Dashboard Report
August 2022**

Strategic Risks

<u>Population Decline</u>	Influence	Risk	Control
	Low	Extreme	Adequate
Inability to control or stem a decline in the Shire's population.			
Actions	Due Date	Responsibility	
Resource sharing through membership of VROC	Ongoing	CEO	
Investigate / lobby for improved internet service	Ongoing	CEO	
Review land zoning to meet demand	Ongoing	CEO / Council	
Review of all Council Land, Buildings and Reserves	Ongoing	CEO	
Encourage new businesses and existing businesses to expand	Ongoing	Manex / Council	
Finalise the build of two staff homes	Completed	DCEO	

<u>Adverse Regulatory Change</u>	Influence	Risk	Control
	Low	High	Effective
Potential changes to the regulatory landscape that will have an adverse effect on the Shire's ability maintain adequate compliance. The main area of concern (at present) is the potential legislative obligations on local governments from changes to the Local Government Act and other relevant legislation.			
Actions	Due Date	Responsibility	
Continue lobbying activities	Ongoing	CEO / Council	
Training for senior and Executive staff	Ongoing	CEO / DCEO	
Mandatory training for Elected Members	Ongoing	CEO / Council	

<u>Leadership</u>	Influence	Risk	Control
	High	Moderate	Effective
Risk of ineffective strategic leadership of Council. This includes the relationship between Council and the CEO.			
Actions	Due Date	Responsibility	
Recruitment of new qualified and experienced CEO and DCEO	Ongoing	CEO / Council	
Mandatory training for Councillors	Ongoing	CEO / Council	
Ongoing training and development for Executive staff	Ongoing	CEO / DCEO	

<u>Financial Sustainability</u>	Influence	Risk	Control
	Medium	Moderate	Adequate
Inability to maintain service and infrastructure levels for the Shire.			
Actions	Due Date	Responsibility	
Complete Asset Management Plans - staged approach	Ongoing	DCEO	
Facilitate a budget workshop for Councillors	Completed	DCEO	
Consider options for resource sharing with neighbouring Shires	Ongoing	CEO	
Training for staff	Ongoing	CEO / DCEO	

<u>Community disruption</u>	Influence	Risk	Control
	Low	High	Adequate
Failure to adequately prepare and respond to events that cause disruption to the local community.			
Actions	Due Date	Responsibility	
Review currency of Bushfire Risk Management Plan	Ongoing	DCEO	
Investigate options for Incident Management Training for Senior Shire Staff (CEO / DCEO)	Ongoing	CEO	
Effective road asset monitoring in place to ensure DRFAWA funding (if required following an event)	Ongoing	CEO	
Investigate employment of CESM	Completed	CEO	

**Shire of Gnowangerup
Risk Dashboard Report
August 2022
Operational Risks**

Asset management practices			Risk	Control
Failure or reduction in service of infrastructure assets, plant, equipment or machinery. These include fleet, buildings, roads and playgrounds and all other assets during their lifecycle from procurement to disposal.			Moderate	Adequate
Actions	Due Date	Responsibility		
Complete Asset Management Plan	Jun-21	Geoff Carberry		
Review IT Hardware Replacement Program	Jun-21	Ian Graham		

Business disruption			Risk	Control
Failure to adequately prepare and respond to events that cause disruption to the local community and/or normal business activities. This could be a natural disaster, weather event, or an act carried out by an external party (e.g. sabotage/terrorism).			Moderate	Adequate
Actions	Due Date	Responsibility		
Review of Business Continuity Plan required	Jan-22	DCEO		

Compliance risk (statutory, regulatory)			Risk	Control
Failure to correctly identify, interpret, assess, respond and communicate laws and regulations as a result of an inadequate compliance framework. This includes, new or proposed regulatory and legislative changes, in addition to the failure to maintain updated internal & public domain legal documentation.			Low	Effective
Actions	Due Date	Responsibility		
No actions required at this stage				

Document Management Processes			Risk	Control
Failure to adequately capture, store, archive, retrieve, provide or dispose of documentation.			Moderate	Effective
Actions	Due Date	Responsibility		
Medical Centre Records Archiving Project	Completed	Records Consultant		
Staff to be trained in Records Management so they know what items have to be entered into SynergySoft	Ongoing	RRO		
Offsite storage options to be reviewed	Completed	RRO		
Medical Centre Records Risk Review	Completed	RRO		

Employment practices			Risk	Control
Failure to effectively manage and lead human resources (full-time, part-time, casuals, temporary and volunteers).			Moderate	Adequate
Actions	Due Date	Responsibility		

Environment management			Risk	Control
Inadequate prevention, identification, enforcement and management of environmental issues.			High	Adequate
Actions	Due Date	Responsibility		
Regional Waste Management Project	Jun-21	AWMC		

Errors, omissions & delays			Risk	Control
Errors, omissions or delays in operational activities as a result of unintentional errors or failure to follow due process including incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff.			Moderate	Adequate
Actions	Due Date	Responsibility		
Compliance Calendar follow up process to be developed	Nov-20	EA		

External Theft & Fraud			Risk	Control
Loss of funds, assets, data or unauthorised access, (whether attempted or successful) by external parties, through any means (including electronic).			Moderate	Adequate
Actions	Due Date	Responsibility		
Add CCTV to Depot Budget	Jun-21	Ian Graham		

Facilities / Venues / Events			Risk	Control
Failure to effectively manage the day to day operations of facilities, venues and/or events.			Low	Adequate
Actions	Due Date	Responsibility		

Misconduct			Risk	Control
Intentional activities intended to circumvent the Code of Conduct or activities in excess of authority, which circumvent endorsed policies, procedures or delegated authority.			Moderate	Adequate
Actions	Due Date	Responsibility		
Changed Purchase Order process to include goods receipt sign-off by independent employee (2020)	Completed	DCEO		
New Fraud Plan adopted May 2020	Completed	DCEO		

IT or communication systems and infrastructure			Risk	Control
Disruption, financial loss or damage to reputation from a failure of information technology systems. Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community. This may or may not result in IT Disaster Recovery Plans being invoked.			Moderate	Adequate
Actions	Due Date	Responsibility		
Review IT Replacement Program	Apr-21	DCEO		
Implement improved backup systems for Shire Admin & Medical Centre (NAS)	Jun-22	DCEO		

Procurement / Contract Management			Risk	Control
Failures in the procurement, acquisition, acceptance or disposal process for goods (assets) or services as governed by the Local Government Act. This also includes inadequacies in the development and execution of contracts together with issues that arise from the ongoing supply of services or failures in contract management & monitoring processes.			Moderate	Adequate
Actions	Due Date	Responsibility		
Purchasing Policy reviewed and updated following Reg changes (COVID-19 changes)	Completed	DCEO		

Projects / Change management			Risk	Control
Inadequate analysis, design, delivery and / or status reporting of change initiatives, resulting in additional expenses, time delays or scope changes.			High	Adequate
Actions	Due Date	Responsibility		
No actions required at this stage				

Safety and Security practices			Risk	Control
Non-compliance with the Occupational Safety & Health Act, associated regulations and standards. It is also the inability to ensure the physical security requirements of staff, contractors and visitors.			High	Adequate
Actions	Due Date	Responsibility		
Monitor relevant policies/procedures	Ongoing	Manex		
Review of new Legislation coming into effect	Jun-21	Manex		

5.2 2021/2022 INTERIM AUDIT MANAGEMENT REPORT

Proponent:	Office of the Auditor General (OAG)
Date of Report:	3 August 2022
Business Unit:	Corporate and Community Services
Officer:	Cherie Delmage - Deputy Chief Executive Officer
Disclosure of Interest:	Nil

ATTACHMENTS

- Office of the Auditor General (OAG) Interim Audit Report Y/E 30 June 2022 (Attachment to Management Letter)

PURPOSE OF THE REPORT

For the Audit Committee to note the results of the 2021/2022 Interim Audit and recommend that Council accepts the Interim Audit Management Report dated 27 July 2022 and the responses of management.

BACKGROUND

The *Local Government Act 1995* (LGA) requires the accounts and annual financial report of a local government for each financial year to be audited by an auditor appointed by the Office of the Auditor General (OAG). The annual audit is conducted in two parts – an interim audit undertaken prior to the end of the financial year and the final audit which is undertaken on the completion of the draft annual financial statement.

The focus of the interim audit is to evaluate the Shire’s overall control environment, and to obtain an understanding of the key business processes, risks and internal controls relevant to the forthcoming audit of the Shire’s annual financial report.

COMMENTS

Butler Settineri (Dry Kirkness) undertook the 2021/2022 Interim Audit on behalf of the OAG in May 2022. Details of the findings and subsequent responses from management can be found in the attached Interim Audit Management Report.

Two (2) Significant, three (3) Moderate and two (2) Minor findings were raised by the auditor in the 2021/2022 Interim Audit Report as follows:

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Findings identified in the current year			
1. Supplier master file	✓		
2. Lack of user restricted access to specific functions in synergysoft	✓		
3. Inadequate procurement processes		✓	
4. Invoice not signed as evidence that goods / services were received		✓	
Findings identified in prior year			
5. Revenue recognition as per AASB15		✓	
6. Purchase orders dated after the supplier tax invoice date			✓
7. Review of creditor batch payments			✓

Management has addressed the findings in their management responses as included in the Report.

CONSULTATION

Nil

LEGAL AND STATUTORY REQUIREMENTS

Local Government Act 1995

Section 7.2. Audit

POLICY IMPLICATIONS

Policy 2.13 Internal Control Policy

FINANCIAL IMPLICATIONS

Nil

STRATEGIC IMPLICATIONS

Strategic Community Plan

Theme: Our Organisation

Objective: Forward planning and implementation of plans to achieve strategic objectives

STRATEGIC RISK MANAGEMENT CONSIDERATIONS

Nil

IMPACT ON CAPACITY

Nil

ALTERNATE OPTIONS AND THEIR IMPLICATIONS

Nil

CONCLUSION

The recommendation has been made to ensure compliance with the LG Act and Regulations.

VOTING REQUIREMENTS

Simple Majority

COMMITTEE RESOLUTION

Moved: Cr P Callaghan

Seconded: Cr R Kiddle

AC0822.08 That the Audit Committee:

Notes the results of the 2021/2022 Interim Audit and recommends that Council accepts the Interim Audit Management Report for the period ending 30 June 2022 from the Office of the Auditor General and the management responses as included.

UNANIMOUSLY CARRIED: 8/0

SHIRE OF GNOWANGERUP

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Findings identified in the current year			
1. Supplier Master File	✓		
2. Lack of user restricted access to specific functions in Synergy Soft	✓		
3. Inadequate procurement practices		✓	
4. Invoice not signed as evidence that goods/services were received		✓	
Findings identified in prior year			
5. Revenue to be recognized in accordance with AASB15		✓	
6. Purchase orders dated after the supplier tax invoice date			✓
7. Review of creditor batch payments			✓

KEY TO RATINGS

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

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF GNOWANGERUP**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****1. Supplier Master File****Finding**

We noted 3 instances of 6 sampled changes to supplier information where there was no evidence that the changes made to supplier information had been verified with the supplier prior to updating the accounting system with the new information. We also noted that there was no evidence of ABN checks performed for the same samples.

In addition, 8 suppliers were identified where the bank account details were not correct. The suppliers were last used from 2010 to 2019.

**Rating: Significant
Implication**

There is an increased risk that unauthorised changes may be made resulting in errors or funds being inappropriately transferred.

Recommendation

The Shire to verify all new or changes to supplier information with the suppliers before updating the accounting records. Also, we recommend the Shire to keep evidence of ABN checks performed for the suppliers.

In addition, the Shire should perform a review of the supplier master file to remove suppliers who are no longer required.

Management Comment

The following new processes have been put in place to reduce risk & increase compliance:

- 1. All changes made to a supplier are signed off by a reviewer to check the changes made are correct & are as presented;*
- 2. ABN checks are attached to all new suppliers;*
- 3. The Shire now utilises EFTSure in ensuring that all bank details are correct; and*
- 4. A fortnightly audit trail is printed after each creditor & payroll processing period & must be presented with supporting documentation to be signed off by a senior officer.*

Responsible Person: Cherie Delmage – DCEO
Completion Date: Processes in place effective 1 July 2022

SHIRE OF GNOWANGERUP

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Lack of user restricted access to specific functions in Synergy Soft

Finding:

We noted from the financial system user access rights matrix, there were no restrictions on user's being able to delete records.

Rating: Significant

Implication:

A lack of user restricted access to delete records in Synergy Soft creates a risk that staff may manipulate or delete accounting records.

Recommendation:

We recommend that management review the current user access rights matrix and restrict the access to delete records.

Management Comment

This was amended after it was initially raised by the auditors by the SFO & tighter controls are now in place.

The Records Officer will now be providing a monthly audit trail of any deleted records to the DCEO with any deleted records requiring supporting documentation/notes.

Responsible Person: Cherie Delmage – DCEO

Completion Date: Processes in place effective 1 July 2022

SHIRE OF GNOWANGERUP

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Inadequate procurement practices**Finding**

We note that 3 purchases out of a sample of 40 tested were not supported by the number of quotations as required by the Shire's Purchasing Policy.

The purchases were in the following ranges:

Threshold	Requirement as per Shire's Purchasing Policy	Number of Quotes actually obtained	Number of Instances
\$5,000 to \$20,000	2 verbal or written quotations required	0 quotes obtained	2
\$20,000 to \$50,000	2 written quotations required	3 verbal quotes obtained	1

Rating: Moderate**Implication**

The Shire has not adhered to the Purchasing Policy and as a result may commit to expenditure which has not been appropriately procured by management, in line with the budget representing a competitive price and value for money to the Shire. This may potentially result in financial loss to the Shire.

Recommendation

We recommend that management ensure that the Purchasing Policy is adhered to and the necessary quotes are obtained before a decision is made to contract a supplier to ensure that a competitive price representing value for money is obtained

Management Comment

All staff have been directed to strictly adhere to the Purchasing Policy & tighter controls have been put in place.

Responsible Person:

Bob Jarvis – CEO

Completion Date:

Processes in place effective 1 July 2022

SHIRE OF GNOWANGERUP

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

4. Invoice not signed as evidence that goods/services were received**Finding:**

We note that for 19 out of a sample of 40 purchases tested, the invoice was not signed as evidence that goods/service had been received/rendered before payment was made. While we have established that the payment was for a valid expense, there was no evidence that the control procedure was performed.

Rating: Moderate**Implication:**

Confirming that goods/services have been received/rendered before payment is made is a key control to reduce the risk that payments will be made without the Shire receiving the good or being provided with the services, this can lead to financial loss.

Recommendation:

Management must ensure that employees adhere to the control procedure.

Management Comment

New procedures have now been implemented that ensure that all steps from purchase order to goods received to authorised for payment are now in place.

Responsible Person:

Cherie Delmage – DCEO

Completion Date:

Processes in place effective 1 July 2022

SHIRE OF GNOWANGERUP

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

5. Revenue recognition

Finding:

We found that during the financial year revenue was not recognised in accordance with the accounting standards AASB15 - Contracts with Customers and AASB 1058 - Income for Not-for-Profits which resulted in incorrect reporting of grant income in the monthly Financial Activity Statements.

Rating: Moderate

Implication:

Grant income reported in the monthly Financial Activity Statements was not in accordance with the Australian Accounting Standards.

Recommendation:

We recommend that management implements a financial process to recognise grant income in accordance with the Australian Accounting Standards going forward.

Management Comment

This was corrected as an EOM transaction for May 2022 & is now an ongoing EOM process.

Responsible Person:

Cherie Delmage – DCEO

Completion Date:

Processes in place effective 1 July 2022

SHIRE OF GNOWANGERUP

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

6. Purchase orders dated after the supplier tax invoice date**Finding**

We noted 1 instance out of 40 payment samples where a purchase was made without approved purchase order. The purchase order was subsequently raised after the receipt of supplier invoice.

Rating: Minor**Implication**

Ordering goods and services without approved purchase increases the risk of fraud and inappropriate purchases being committed by the Shire.

Recommendation

Review the Shire's processes to ensure approved purchase orders are in place prior to ordering goods and services.

Management Comment

Stringent controls regarding the necessity for POs prior to purchasing have been implemented which included notifying key suppliers that no goods or services are to be provided to the Shire without a PO.

In addition to this, the Shire is looking at purchasing the Altus Procurement Module which does not allow for POs to be backdated.

Responsible Person:

Cherie Delmage – DCEO

Completion Date:

Processes in place effective 1 July 2022

SHIRE OF GNOWANGERUP

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

7. Evidence of creditor batch payment

Finding:

We noted that 2 creditors batch payments out of a sample of 20 were not signed by the Deputy Chief Executive Officer and as a result we were unable to confirm that the documents were reviewed by a person independent of the preparation before the payment was processed.

Rating: Minor

Implication:

Error and omissions may go undetected if creditor payment batches are not reviewed by an officer independent of the preparation.

Recommendation:

We recommend that management ensure that the review and authorization of creditor batches be evidenced either by way of manual or digital signature by the Deputy Chief Executive Officer.

Management Comment

New procedures have now been implemented that ensure that all steps from purchase order to goods received to authorised for payment are now in place.

Responsible Person:

Cherie Delmage – DCEO

Completion Date:

Processes in place effective 1 July 2022

6. CLOSURE

There being no further business, Presiding Member Fiona Gaze thanked committee members and staff and closed the meeting at 1:41pm.