



Shire of Victoria Plains

Minutes of an Audit Committee Meeting held

On	Tuesday 19 th June 2012
At	Council Chambers, Calingiri
Commencing	9.05am

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1 DECLARATION OF OPENING AND ANNOUNCEMENT OF VISITORS

The Chairperson declared the meeting opened a 9.05am.

Council's Auditor Greg Godwin will be involved in the meeting via a telephone conference.

2 ATTENDANCE, APOLOGIES AND LEAVE OF ABSENCE GRANTED

Chairperson: Cr G Erickson South Ward

Councillors: Cr B Johnson East Ward
Cr D Lovelock West Ward

Community Members: Mr G Nixon New Norcia
Mr G McGill Calingiri

Finance and Administration Manager/DCEO: Mr I Graham

Shire Auditor: Mr G Godwin (by phone)

Apologies: Mr H Hawkins – Chief Executive Officer

3 GENERAL BUSINESS

General business to be discussed during the telephone conference included the 2010/2011 Audit Report and the Financial Management Review.

I Graham to G Godwin

I Graham welcomed G Godwin to the meeting and advised who was present.

I Graham put the following question to G Godwin.

Where you the auditor for the last report?

G Godwin responded that he had inspected, prepared and signed off on the Shire of Victoria Plains Audit for the last 4 years.

G Godwin ran through the VP 2010/2011 Audit Report and outlined the audit, the responsibilities of the auditor and responsibilities of the shire

Discussion was held on the interim audit and final audit and the controls associated with them.

G McGill

Asked for an overview of the Financial Management Review process and asked that "If and audit committee becomes aware or concerned about items i.e. cost overruns on projects, is this something the auditor would scrutinize?"

G Godwin

Not specifically. At the end of a Financial Year the auditors give an opinion on financials. Auditors have the ability to investigate overruns and ask for explanations. Part of the investigation process would be to check minutes via resolutions of council.

G Nixon

Commented regarding the Financial Management Review (9 months) and was puzzled as to why some comments are made now and not picked up in earlier Financial Management Reviews i.e. bank reconciliations, credit cards etc.

G Godwin

Items or issues raised in the current Financial Management Review may not have been an issue at the last Financial Management Review. Reviews are carried out every 4 years.

Cr Johnson

One issue I feel a responsibility toward as a member of the audit committee and having a position on council is that I didn't follow through issues with the Calingiri Sports Pavilion upgrade. I am mindful that Councillors are not to tell the CEO or staff what to do, but we should offer more insight and should be more involved to help not interfere to avoid the issues that were created with cost overruns.

G Godwin

We have a lot of Local Government clients. Some Councils are very involved, some not so much. Comments on involvement are warranted, staff and councillors can refer to purchasing policies regarding processes.

I believe financial reporting is adequate. Use of the Budget is a major tool.

Cr Erickson

A shire the size of Victoria Plains – what would be an indicative amount the CEO could spend without consulting council. Currently Victoria Plains have delegation of \$100,000 on budgeted items.

G Godwin

\$100,000K also refers to the amount of purchase / contract without calling tenders. Some shires set the level at \$50,000 some \$100,000. During the Financial Management Review the testing of payments was reviewed. From purchase order to payment by cheque or EFT. Purchasing policy appears to be being adhered to.

G Nixon

Relating to the role of outside members of the Audit Committee. Council

members have better insight by being more involved (month by month). How should outside committee members conduct themselves?

G Godwin

Keep informed, know that processes are taking place. Guidelines are available on audit committee members (to be sent). Outside members appear more independent and are usually able to ask complex questions, which some Council members may not.

G McGill

When Victoria Plains formed the Audit Committee, I'm sure we were given that document. It would be a good idea to send guidelines out for all to revisit.

Discussion was held on risk factors on page 5 of the report.

G Godwin

This is based on auditor's assessment of a risk using profession judgements and opinion.

Cr Lovelock

Regarding payments to creditors. Do senior managers need to oversee all payments? i.e. if processing payments made by staff is overseen by the manager the manager may as well process.

G Godwin

As long as secure systems are in place along with audit trail report, systems should work. Assess where the risks are – i.e. secure passwords for payments. Use practical controls. Have dollar values for payments and use controls for checking.

Cr Lovelock

In your assessment of VP activities, do you see if this detail is used?

G Godwin

Reason this issue was raised in the Financial Management Review is that once a pay run is created, that batch is imported to banking. It is possible that someone could manipulate the file. Audit trail reports pick up changes. i.e. bank account changes for example. If an 'aba' file is not secure it is possible for changes to be made.

I Graham

Audit trail reports have now been implemented for both Creditor and Payroll runs.

'aba' file gets printed in hard copy before payment is made. File is locked and cannot be changed. Checks are made against payee details including bank account numbers and payment amount details against original details.

Comments on independent listings for the manager and finance officer will be taken on board. Payments are then authorised at Manager level then by the CEO prior to payment going to the bank. All Managers the sign. Still looking at how we can secure the 'aba' file.

G Godwin

Having a hard copy and audit trial reports is a safety net.

C Nixon

Trend of Council has been to reduce debt, from where we sit now VP should be in a fairly responsible solid position.

G Godwin

Reserves are on nearly \$1M.

Cash flow – Operating is generated positive cash flow

Ratio's have improved each year for last three and currently at 2.5% (some suggest 1%)

Outstanding rates appear to be working. Rate coverage is very healthy at 43%

Working with Forward Capital Works Plan and the Asset Management Plan is another exercise.

Cr Lovelock

Comment made on ratio's. Are VP a little too conservative?

G McGill

Material variances. If there is a material variance from the budget, over budget items or mismanagement that come to the Audit Committee's attention and if members were concerned would council be required to respond?, and can the auditor investigate?

G Godwin

External auditors must stay independent and provide a true and fair view of council's position. As external auditor it would not be our function.

Cr Erickson

Query on cost overruns. Would it be prudent to set up separate balance sheets for large projects i.e. Halls etc.

G Godwin

Council has to undertake acquittals on large grant funded items. Actual versus budget income and expenditure. Any project that is funded by grants needs acquittal.

Cr Lovelock

As far as the sports pavilion overrun, professional advice was sought and given and an estimated budget of what was required. Advice should be taken and some would expect overruns. This overrun issue arose where the professional advisor should have picked up on a major overrun.

Road designs are another area of concern for Council.

G Godwin

Best advice and best interest in any project can also provide problems.

I Graham

Is it usual to set up committees for major projects to make sure budgets are followed etc?

G Godwin

We have been involved in this. Some councils set up committees for halls etc. It is all about risk management.

G McGill

Raised concerns regarding Council Electors Meetings, the relevancy of information when the meeting is delayed. Are matters able to be completed earlier to hold the electors meeting closer to the financial period to maintain relevancy.

G Godwin

All to do with scheduling. Contact is being taken with financial managers re timing of audits.

Cr Lovelock

Current ratio is 2.5% is closer to 1% a better outcome? Over the last couple of years some projects remain incomplete. State and Federal funding seems to be being paid forward in a current financial year not the year it is being spent.

G Godwin

Commercial business suggests a higher ratio is better. In Council's higher equals stronger cash. Council job is to rate and undertake community works. When ratio is over 1% questions are asked - have projects been completed?

As there were no further questions of Mr Godwin the telephone conference ended at 10.04am.

Discussion was held by members regarding the Calingiri Sports Pavilion upgrade and the cost overruns associated and the shortfall of grant funding.

G McGill

Agrees that an accurate report be provided on the whole project. Not to lay blame but to enable all to be aware of all facets of project.

Discussion on formation of committees for major projects

G McGill

Seeks a full explanation on the cost overrun of the Gillingarra - Glentromie Road project.

Discussed the Works Manager Position. Past, temporary and present. Discontent in workforce seems to be easing.

I Graham

Outside workforce needs good leadership. Morale and motivation requires a strong leader.

Discussion was held on rates and a possible increase. The increase is based on local government CPI.

Discussion on road network and council's current solid financial position.

G McGill

External members should receive more in depth financial reporting during the year. At least two briefing sessions each year to remain fully informed.

Council audit members have monthly involvement.

I Graham to discuss with G McGill.

Audit Report

UHY Haines Norton
Chartered Accountants

F1.4.4

9 December 2011

Shire of Victoria Plains

13 DEC 2011

RECEIVED

Mr H Hawkins
Chief Executive Officer
Shire of Victoria Plains
PO Box 21
CALINGIRI WA 6569

Dear Harry

**AUDIT OF SHIRE OF VICTORIA PLAINS
FOR THE YEAR ENDED 30 JUNE 2011**

We advise that we have completed the audit of your Shire for the year ended 30th June 2011 and enclose our Audit Report and a copy of the Management Report.

A copy of the Audit Report and Management Report has also been sent directly to the President as is required by the Act.

We would like to take this opportunity to thank you and your staff for the assistance provided during the audit.

Please contact us if you have any queries.

Yours sincerely


GREG GODWIN
PARTNER

t: +61 (0)8 9444 3400
f: +61 (0)8 9444 3430

16 Lakeside Corporate 24 Parkland Road Osborne Park Perth WA 6017
PO Box 1707 Osborne Park WA 6916

e: perth@uhyhn.com.au
w: www.uhyhn.com

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INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF VICTORIA PLAINS

Report on the Financial Report

We have audited the accompanying financial report of the Shire of Victoria Plains, which comprises the statement of financial position as at 30 June 2011, statement of comprehensive income by nature or type, statement of comprehensive income by program, statement of changes in equity, statement of cash flows and the rate setting statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Chief Executive Officer.

Management's Responsibility for the Financial Report

Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal control as Management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial report.

We believe the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the financial report of the Shire of Victoria Plains is in accordance with the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended), including:

- a giving a true and fair view of the Shire's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended).

t: +61 (0)8 9444 3400
f: +61 (0)8 9444 3430

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16 Lakeside Corporate 24 Parkland Road Osborne Park Perth WA 6017
PO Box 1707 Osborne Park WA 6916

e: perth@uhyhn.com.au
w: www.uhyhn.com

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INDEPENDENT AUDITOR'S REPORT
TO THE ELECTORS OF THE SHIRE OF VICTORIA PLAINS (Continued)

Report on Other Legal and Regulatory Requirements

During the course of the audit we became aware of the following instance where the Council did not comply with the Local Government (Financial Management) Regulations 1996 (as amended).

Monthly Statement of Financial Activity

The monthly statements of financial activity for August and September 2010 did not contain explanations for material variances between the actual and budgeted amounts as required by Financial Management Regulation 34(1)(d).

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- a) There are no matters that in our opinion indicate significant adverse trends in the financial position or the financial management practices of the Shire.
- b) Except as detailed above, no other matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- c) All necessary information and explanations were obtained by us.
- d) All audit procedures were satisfactorily completed in conducting our audit.

UHY HAINES NORTON
CHARTERED ACCOUNTANTS



GREG GODWIN
PARTNER

Date: 9 December 2011
Perth, WA



9 December 2011

The Shire President
Shire of Victoria Plains
PO Box 21
CALINGIRI WA 6569

Dear Cr Erickson

MANAGEMENT REPORT FOR THE YEAR ENDED 30TH JUNE 2011

We advise that we have completed our audit procedures for the year ended 30th June 2011 and enclose our Audit Report.

We are required under the Local Government Audit Regulations to report certain compliance matters in our audit report. Other matters which arise during the course of our audit that we wish to bring to Council's attention are raised in this management report.

It should be appreciated that our audit procedures are designed primarily to enable us to form an opinion on the financial statements and therefore may not bring to light all weaknesses in systems and procedures which may exist. However, we aim to use our knowledge of the Shire's organisation gained during our work to make comments and suggestions which, we hope, will be useful to you.

We noted no matters we wish to bring to your attention.

Uncorrected Misstatements

We advise there were no uncorrected misstatements noted by us during the course of our audit.

We take this opportunity to thank the Chief Executive Officer and all staff for the assistance provided during the audit.

Should you wish to discuss any matter relating to the audit or any other matter, please do not hesitate to contact us.

Yours faithfully



GREG GODWIN
PARTNER

t: +61 (0)8 9444 3400
f: +61 (0)8 9444 3430

16 Lakeside Corporate 24 Parkland Road Osborne Park Perth WA 6017
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3.2 Financial Management Review



1 June 2012

Mr H Hawkins
Chief Executive Officer
Shire of Victoria Plains
PO Box 21
CALINGIRI WA 6569

Dear Harry

FINANCIAL MANAGEMENT REVIEW

We have completed the Financial Management Review for the Shire of Victoria Plains for the period 1 July 2011 to 31 March 2012.

For your convenience we have provided one bound and one unbound copies as requested.

Should you have any queries, please contact us.

Yours sincerely



GREG GODWIN
DIRECTOR
Encl

t: +61 (0)8 9444 3400
f: +61 (0)8 9444 3430

16 Lakeside Corporate 24 Parkland Road Osborne Park Perth WA 6017
PO Box 1707 Osborne Park WA 6916

e: perth@uhyhn.com.au
w: www.uhyhn.com

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**SHIRE OF VICTORIA
PLAINS**

FINANCIAL MANAGEMENT REVIEW
JUNE 2012



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DISCLAIMER

The objective of this review as outlined in greater detail in Part 2.0 of this report as presented, is to assist the Chief Executive Officer of the Shire of Victoria Plains discharge his responsibilities in respect to Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (as amended).

It has been prepared by UHY Haines Norton (WA) Pty Ltd for this sole purpose.

It is not intended to be used by any other individual or organisation.

Confidential – this document and the information contained in it are confidential and should not be used or disclosed in any way without our prior consent.

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**1.0 INDEPENDENT REVIEWER'S REPORT
TO THE CHIEF EXECUTIVE OFFICER OF THE SHIRE OF VICTORIA PLAINS (CEO)**

At the request of the CEO, UHY Haines Norton was engaged to conduct a limited assurance review of the appropriateness and effectiveness of the Shire of Victoria Plains's financial management systems and procedures. The objective of the review is to assist the CEO discharge his responsibilities in respect to Regulation 5(2) (c) of the Local Government (Financial Management) Regulations 1996 (as amended). The review was conducted for the period 1 July 2011 to 31 March 2012.

CEO's responsibility for maintaining and reviewing financial management systems and procedures.

The CEO is responsible for implementing policies, procedures and controls which are designed to ensure the effective and efficient management of the Shire's resources. In accordance with Regulation 5(2) (c) of the Local Government (Financial Management) Regulations 1996 (as amended), the CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures. At least once in every four financial years the CEO is to report the results of those reviews to Council.

Our responsibility

Our responsibility is to provide a report expressing limited assurance, designed to enhance the confidence of the CEO to assist him report on the appropriateness and effectiveness of the financial management systems as required by Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996 (as amended). We conducted our engagement in accordance with Australian Standard on Assurance Engagements *ASAE 3500 Performance Engagements* issued by the Australian Auditing and Assurance Standards Board and the Audit Guidelines, in order to state whether, based on the procedures performed, anything has come to our attention that causes us to believe that Shire's financial management systems have not been operating effectively. Our engagement provides limited assurance as defined in ASAE 3500.

Our procedures were agreed to with the CEO in our engagement letter dated 12 March 2012.

Limitations of use

This report is made solely to the CEO of the Shire of Victoria Plains for the purpose of him reporting under Local Government (Financial Management) Regulation 5(2) (c). We disclaim any assumption of responsibility for any reliance on this report to any person other than the CEO of the Shire of Victoria Plains, or for any purpose other than that for which it was prepared. We disclaim all liability to any other party for all costs, loss, damages, and liability that the other party might suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party, or the reliance on our report by the other party.



**1.0 INDEPENDENT REVIEWER'S REPORT
TO THE CHIEF EXECUTIVE OFFICER OF THE SHIRE OF VICTORIA PLAINS (CEO)
(Continued)**

Inherent limitations

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3500 and consequently does not allow us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an opinion providing reasonable assurance.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and its responsibility to prevent and detect irregularities, including fraud. Accordingly, readers of our reports should not rely on the report to identify all potential instances of non-compliance which may occur.

Any projection of the evaluation of the level of compliance to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with management procedures may deteriorate.

Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

Based on our work described in this report, nothing has come to our attention to indicate the Shire of Victoria Plains has not established and maintained appropriate and effective financial management systems and procedures during the period 1 July 2011 to 31 March 2012.

For those aspects of the Shire of Victoria Plains' Financial Management systems and procedures which were assessed as having opportunities for improvement, our findings are summarised at Part 3 of this report and detailed observations and comments are located at Part 4 of this report.


UHY HAINES NORTON
CHARTERED ACCOUNTANTS

Date: 1 June 2012
Perth, WA


GREG GODWIN
DIRECTOR

2.0 OBJECTIVE, SCOPE AND OVERVIEW OF FINDINGS

OBJECTIVE

The objective of our engagement as outlined in our engagement letter is as follows:

To provide a report expressing limited assurance designed to enhance the confidence of the intended user (in this instance the CEO) in the performance of the control environment of the financial management system of the Shire of Victoria Plains (administered by Shire staff being the Responsible Party) for which the intended user (CEO) is ultimately responsible in accordance with the Act and Regulations.

It includes the performance of assurance procedures designed to test the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within, as required by Financial Management Regulation 5(2) (c).

We trust this report will assist in the ongoing review and improvement of the Shire's financial management practices and procedures.

SCOPE

As agreed our examination covered the period 1 July 2011 to 31 March 2012. To this end we examined the following financial systems and procedures of Council:-

- Bank Reconciliations and Petty Cash
- Trust Fund
- Receipts and Receivables
- Rates
- Fees and Charges
- Purchases, Payments and Payables (Including Purchase Orders)
- Wages and Salaries
- Fixed Assets (Including acquisition and disposal of property)
- Credit Card Procedures
- Storage of Documents/Record Keeping
- Costs Allocations
- Administration Allocations
- Minutes and Meetings
- Financial Reports
- Budget
- Plan for the Future
- Registers (Including Annual & Primary Return)
- Delegations
- Audit Committee
- Insurance
- Other Matters and General Compliance issues

We did not necessarily examine compliance with provisions of the Act or Regulations, which were not financial in nature. That is, Parts 2, 4, 8 and 9 of the Act, some provisions of Parts 3 and 5 as well as most regulations (apart from the Financial Management Regulations), which did not impact on the areas examined above.

OVERVIEW OF FINDINGS

As referred to in Part 1.0 of this report, a summary of our findings and detailed observations may be found in Parts 3.0 and 4.0 on the following pages.

Addressing the issues highlighted will help to ensure the controls and procedures established are not compromised in the future and the integrity of the financial management system is maintained.

3.0 SUMMARY OF FINDINGS

The following is a brief summary of matters noted for improvement together with our assessment of the level of risk in relation to each item:

Key:		
S	Systems and Procedures	H High Risk
C	Compliance Matter	M Medium Risk
		L Low Risk
FINDINGS	NATURE	RISK
Bank Reconciliation All bank deposits should be recorded in the cash book in a timely manner.	S	M
Fees and Charges Fees and charges invoiced should be agreed to the budget.	C	M
Purchases, Payments And Payables (Including Purchase Orders) The current system for EFTs be investigated and appropriate control measures that are preventative in nature be introduced to help prevent unauthorised changes to banking details for EFTs.	S	H
Salaries and Wages Changes in pay rates should be authorised in writing.	S	L
Payroll master file should be updated when an employee leaves.	S	L
Changes to employees' banking details in the payroll system should be reviewed by a senior member of staff.	S	H
Employment contracts should be signed with casual employees.	S	L
Fixed Assets Reconciliation of the general ledger to the fixed assets registers should be performed on a regular basis.	S	L
Credit Card Procedures Credit card policy should be adopted.	C	M
All credit card expenses should be included in the monthly list of payments presented to Council.	C	M
Meetings Council should give at least 14 days notice for Annual Electors Meetings.	C	M

3.0 SUMMARY OF FINDINGS (Continued)

FINDINGS	NATURE	RISK
Plan for the Future The plan should be extended to 30 June 2013.	C	M
Information Security Finance staff should not have access to all modules of Synergy.	S	M
Posting of Journals All journals should be reviewed and approved by a senior officer.	S	M
Reserve Account One months notice required for the change in use of reserve funds.	C	M

Please Note: The assessment of risk as detailed above is our assessment based on the circumstances surrounding the procedures performed. An assessment of Low Risk is to be read in the context of our assessment of risk to the organisation as a whole. It is not intended to indicate no further action is required.

Our assessments are provided to assist you understand the nature of the matters raised and to prioritise any remedial action.

4.0 AREAS EXAMINED AND DETAILED OBSERVATIONS AND COMMENTS

4.1 BANK RECONCILIATIONS AND PETTY CASH

Bank Reconciliations

An examination of bank reconciliations and procedures noted they are up to date as well as being prepared regularly and promptly for all bank accounts except;

- During our review of the Municipal bank reconciliations, we noted unreconciled amounts which relate to cheques deposited which were reflected on the bank statements but not recorded in the cash book.

Comment: To help ensure the completeness of the cash book, all bank deposits should be recorded in the cash book before the bank reconciliation is prepared.

Petty Cash

We also examined the petty cash system and procedures and concluded these were being properly controlled and maintained.

4.2 TRUST FUND

Trust funds held by Council were examined to determine proper accountability in the Shire's financial management system.

Our observation and testing confirmed that trust funds are adequately controlled and satisfactorily accounted for in the Shire's financial records.

4.3 RECEIPTS AND RECEIVABLES

Detailed testing of a number of receipts, judgementally selected, was performed. This included tracing to individual receipt detail, bank deposits and the general ledger to ensure allocation/posting was correctly performed.

The receivables system including raising of invoices was reviewed with limited testing in respect to allocation/posting.

Overall testing was completely satisfactory. Controls and procedures are considered to be operating effectively and are appropriate for Council's current scope of operations.

4.4 RATES

Council's rating procedures were examined to determine if they were adequate in ensuring rates were being imposed or raised correctly. This also included inspection of the rate record, rate notices, instalment notices, valuation reconciliations and general ledger.

From testing, we concluded the rate system and record is being properly maintained, rates are correctly imposed and posted to general ledger.

4.0 AREAS EXAMINED AND DETAILED OBSERVATIONS AND COMMENTS (Continued)

4.5 FEES AND CHARGES

Fees and Charges imposed at the time of budget adoption were found to be in accordance with legislative requirements except;

- Our sample of invoices tested revealed telephone and rubbish invoices were not charged in accordance with the adopted budget.

Comment: To help ensure fees are charged in accordance with the budget, they should be reviewed by an officer independent from the preparer. The reviewer should sign and date relevant documents as evidence of the review.

4.6 PURCHASES, PAYMENTS AND PAYABLES (INCLUDING PURCHASE ORDERS)

A number of purchases, payments and payables were judgementally selected and testing performed to determine whether purchases were authorised / budgeted and payments were supported, certified, authorised and correctly allocated.

In general, controls and procedures over payments and payables are operating effectively and are appropriate for Council's current scope of operations except:

Electronic Funds Transfer

The current system allows the employee who presently prepares EFT payments to change bank account details in the ABA file created in a common folder without adequate supervisory control.

This may result in unauthorised changes to the banking details used for EFT payments causing losses to Council if not detected at the point of authorisation.

Comment: To help ensure all payments made are bona fide and appropriately authorised, further investigation and implementation of appropriate higher level control measures that are preventive (rather than detective) in nature should be implemented as the Shire is now making more payments by EFT than by cheques.

An exception report or an audit trail report would be useful to help identify any changes in banking details.

The system should be structured to allow for risk areas to be easily reviewed and these reviews should be routinely conducted by staff independent of the payment process. As an example, a report of all proposed EFT payments could be printed for review by an independent person to confirm the correct creditors' bank account details are being used prior to payments being released.

4.0 AREAS EXAMINED AND DETAILED OBSERVATIONS AND COMMENTS (Continued)

4.7 WAGES AND SALARIES

A number of individual employees were selected and testing performed to ensure:

- the employee existed;
- the correct rate of pay was used;
- non-statutory deduction authorities are on hand;
- time sheets properly completed and authorised;
- hours worked authorised; and
- allocations reasonable and correctly posted.

The system described to us and its supporting controls were found to be operating effectively except for the following matters;

- No written authorisations for changes in pay rates were found in the personnel files.

Comment: To help ensure employee personnel files contain a complete record of all agreements with employees, changes in pay rates should be authorised in writing and a copy filed in each employee's file.

- The date of termination was not updated on the payroll master file when an employee left the Shire.

Comment: To help ensure completeness of the payroll master file, the payroll master file should be updated when staff leave the employment of the Shire.

- Changes to Staff Banking Details.

The payroll officer has security clearance to change employees' bank account details in the system without adequate supervisory control.

Comment: To help ensure changes to banking details are adequately authorised, changes to employees' details in the payroll system should be reviewed by a senior staff member independent of processing. A system generated audit trail report showing all changes made on every pay run would be useful for this purpose.

- No written contracts for Casual employees.

We noted no employment contracts for casual employees working at the Shire.

Comment: To help ensure all agreements entered into by Council are documented, employment contracts should be signed with casual employees.

4.0 AREAS EXAMINED AND DETAILED OBSERVATIONS AND COMMENTS (Continued)

4.8 FIXED ASSETS (INCLUDING ACQUISITION AND DISPOSAL OF PROPERTY)

Whilst fixed assets were properly identified and posted to the general ledger every month, our review of the fixed assets management system noted there was no formal reconciliation of the fixed assets register to the general ledger until year end.

Comment: To help ensure fixed assets are completely and correctly posted into the general ledger, the general ledger should be reconciled more regularly to the fixed assets register and documented for review by a senior staff member independent of preparation. The independent review should seek to confirm the accuracy of the reconciliation and should be evidenced accordingly.

Whilst we acknowledge that control exists at year end, a more regular process makes it easier to balance fixed assets, particularly at year end. At the very least, this reconciliation should occur on a quarterly basis.

Our review of the fixed assets management system has been limited to the historic financial accounting elements of the system. As a consequence our review was not designed to look at whether current practices will provide sufficient information to calculate the new asset ratios required by the amendment to the Local Government (Financial Management) Regulation 50 effective from 1 July 2012.

4.9 CREDIT CARD PROCEDURES

A review of Council's credit card expenditures, judgements selected, was performed.

Overall testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for Council's current scope of operations except;

- The Council has no policy governing the use of Council credit cards.

Comment: To help ensure usage of Council credit cards is in line with Council's intent for issuing credit cards, a policy should be adopted.

The credit card policy should also be in line with the Local Government Operational Guideline 11 "Use of Corporate Credit Cards".

- Credit Card expenses have not been included in the list of payments presented to Council each month.

Comment: To help ensure compliance with FM Reg 13, all credit card payments should be included in the monthly list of payments presented to Council.

As this matter represents non-compliance with a Financial Management Regulation it may be carried forward to the audit report for 30 June 2012.

4.10 STORAGE OF DOCUMENTS/RECORD KEEPING

All minutes, registers, contracts and legal documents are stored in a safe which appears to be fire resistant. A detailed and fully indexed register and filing system is in place and appears to be complete and operating effectively.

4.0 AREAS EXAMINED AND DETAILED OBSERVATIONS AND COMMENTS (Continued)

4.11 COST AND ADMINISTRATION ALLOCATIONS

We noted the allocation rates for Administration Costs, Plant Operating Costs and Public Works Overheads are regularly reviewed and adjusted to help ensure no material amounts remain unallocated.

4.12 MINUTES AND MEETINGS

Council meeting minutes were reviewed to ensure compliance with procedures and protocols.

The procedures and protocols surrounding meetings and the quality of minutes were found to be of a satisfactory standard and in accordance with legislative requirements except;

- The Council has not given at least 14 days notice for the Annual Electors Meetings.

Comment: To help ensure compliance with Section 5.29(1) of the Local Government Act 1995, Council should give at least 14 days notice for Annual Electors Meetings.

4.13 FINANCIAL REPORTS

The following reports were reviewed for compliance with legislative requirements:

- Annual Report;
- Annual Financial Report;
- Monthly Financial Reports; and
- Annual Budget.

All were found to be of a satisfactory standard and in compliance with legislative requirements.

4.14 BUDGET

The 2011/2012 budget document and documents surrounding budget adoption were examined to ensure compliance with regulatory requirements.

All statutory requirements were satisfactorily met.

4.15 PLAN FOR THE FUTURE

Council's plan for the future of the district for the period 2010/2011 and 2011/2012 was prepared and adopted in June 2010 as required by Section 5.56 of the Local Government Act 1995 and met all statutory requirements.

However, to help ensure compliance with part 19DB (3) of the Local Government (Administration) Regulations 1996, the plan should be extended to apply in respect of each financial year before the financial year ending 30 June 2014.

4.0 AREAS EXAMINED AND DETAILED OBSERVATIONS AND COMMENTS (Continued)

4.16 REGISTERS (INCLUDING ANNUAL & PRIMARY RETURNS)

Financial Interest Register

The register was examined to ensure compliance with regulatory requirements. The register is generally of a good standard.

Tender Register

The Tenders register was reviewed for completeness and compliance and deemed to be satisfactorily maintained and appropriate for Council needs.

4.17 DELEGATIONS

The delegations register was reviewed for completeness and compliance and deemed to be satisfactorily maintained and appropriate for Council needs.

4.18 AUDIT COMMITTEE

Council's establishment of its audit committee and the constituted membership was examined by us and found to be in compliance with the requirements of the Act.

4.19 INSURANCE

Discussions with staff and review of policy documents revealed policies are current and the coverage is currently adequate. Evidence also exists to suggest an annual review of insurance risks occurs.

4.0 AREAS EXAMINED AND DETAILED OBSERVATIONS AND COMMENTS (Continued)

4.20 OTHER MATTERS

IT General Environment

During our review of the Shire's IT Controls, we noted the IT environmental controls to be operating effectively except that all finance staff have access to all modules of Synergy Software.

Comment: To help ensure the security of Council's data, Finance officers should not have access to all modules of Synergy Software. Adequate segregation of duties should be considered or if not possible, the system should be reviewed for risk areas and compensating controls be implemented.

Posting of Journal Entries

Whilst reviewing procedures for raising journal entries, we noted journals which are passed by finance officers are not reviewed and approved by a more senior person.

Comment: To help maintain the integrity of the accounting system, we recommend a person more senior than the preparer reviews and authorises all journal entries. The journals should be signed and dated as evidence of review.

Reserve Accounts

We noted the Shire has not given one month's local notice of the proposed change in use of reserve funds from the Housing Reserve fund to the Calingiri Sports Ground Upgrade Reserve fund which was adopted in the December Council meetings.

Comment: To help ensure compliance with Section 6.11 (2) of the Local Government Act 1995, Council should give at least one months local public notice of any proposed change in the purpose of use for reserve funds.

4 DECLARATION OF CLOSURE

There being no further business the Chairperson declared the meeting closed at 10.45pm

Signed this day of 2012

Presiding Member