

## SHIRE OF DUNDAS

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE AUDIT

| INDEX OF FINDINGS   | RATING      |          |       |
|---|-------------|----------|-------|
|   | Significant | Moderate | Minor |
| <b>Current Year Issues</b>  |             |          |       |
| 1. Fair value of Infrastructure Assets – Frequency of Valuations  |             | ✓        |       |
| 2. Payment Batches Not Signed by Reviewer                         |             | ✓        |       |
| 3. Compliance with Legislation                                    |             | ✓        |       |
| 4. Risk Management Plan and Risk Register                         |             | ✓        |       |
|   |             |          |       |
| <b>Prior Year Issues</b>  |             |          |       |
| 5. Asset Management Plan and Long-Term Financial Plan             | ✓           |          |       |
| 6. Procurement Practices  | ✓           |          |       |
| 7. Leave Forms not completed for Sick Leave and Annual Leave      |             | ✓        |       |
| 8. Credit Card Expenditure  |             | ✓        |       |
| 9. Security Deposits Incorrectly Banked to the Trust Bank Account |             | ✓        |       |
| 10. Bank Reconciliations  |             | ✓        |       |
| 11. Changes to Supplier Details                                   |             | ✓        |       |

**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 DUNDAS****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE AUDIT****Current Year Issues****1. Fair Value of Infrastructure Assets - Frequency of Valuations****Finding**

The Shire has performed a high-level assessment to determine whether its infrastructure assets represent fair value.

This assessment has relied on the Shire's internal assessment by management of the current market conditions. This review indicated there were no significant movements or impacts on its infrastructure assets relevant to 30 June 2022.

**Rating: Moderate****Implication**

Without a robust assessment of fair value of the Shire's infrastructure assets there is a risk that the fair value of infrastructure assets may not have been assessed adequately and in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

**Recommendation**

The Shire consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of land, buildings and Infrastructure Assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. This process is to ensure that the Shire's land, buildings and infrastructure assets are recorded at fair value in compliance with AASB 13 Fair Value Measurement and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair values of relevant assets are likely to have been impacted to any significant / material extent from the prior year. Where a fair value assessment has been performed internally the Shire may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

**Management Comment**

*The Shire will proceed to engage an independent valuer to assess at year end as to whether they consider there are any prevailing market factors which may indicate that the fair values of relevant assets are likely to have been impacted to any significant / material extent from the prior year.*

**Responsible person:** Peter Fitchat / Katherine Wiles

**Completion date:** 30/06/2023

**SHIRE OF DUNDAS**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022**

**FINDINGS IDENTIFIED DURING THE AUDIT**

**2. Payment Batches Not Signed by Reviewer**

**Finding**

As part of our batch payments testing, from a sample of 20 payments batches tested, we noted 13 instances where the reviewer had not signed the payments batch as evidence that the batch had been reviewed and authorised.

**Rating: Moderate**

**Implication**

There is no evidence to ensure that payment details have been reviewed for accuracy and validated by the appropriate delegated officers. There is a risk that payments are not made to valid suppliers or at incorrect amounts.

**Recommendation**

We recommend that the reviewer sign the payments batch as evidence of review by the delegated officers to ensure the accuracy and validity of payments.

**Management Comment**

*The above recommendation will be added to the creditor payments process/procedure.*

**Responsible Person:** Pania Turner

**Completion Date:** 14/12/2022

**SHIRE OF DUNDAS**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022**

**FINDINGS IDENTIFIED DURING THE AUDIT**

**3. Compliance with Legislation**

**Finding**

The current Corporate Business Plan was prepared in July 2017 and only covers the period until 2020-21.

**Rating: Moderate**

**Implication**

This is not in accordance with section 19DA (1) and (2) the Local Government (Administration) Regulations 1996 which requires a local government to prepare a corporate business plan which is to cover at least 4 financial years and may impact the strategic planning process.

**Recommendation**

We recommend that the Corporate Business Plan is reviewed, updated to cover the next 4 financial years and approved by Council to ensure compliance with section 19DA (1) and (2) the Local Government (Administration) Regulations 1996.

**Management Comment**

*The Corporate Business Plan is currently being reviewed. The updated version covering the next 4 years will be available in the 2022/2023 financial year.*

**Responsible Person:** Peter Fitchat / Pania Turner

**Completion Date:** 30/06/2023

**SHIRE OF DUNDAS**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022**

**FINDINGS IDENTIFIED DURING THE AUDIT**

**4. Risk Management Plan and Risk Register**

**Finding**

The Shire has a Risk Management Policy however, we noted that there is no Risk Management Plan incorporating a risk treatment plan. In addition, the Shire does not maintain a Risk Register.

**Rating: Moderate**

**Implication**

Without a Risk Management Plan incorporating a risk treatment plan and a Risk Register, the Shire has exposure to risks that if unmanaged, may have an adverse impact on the achievement of organisational objectives.

**Recommendation**

The Shire should establish a written comprehensive Risk Management Plan incorporating a risk treatment plan and maintain a Risk Register that is up to date.

**Management Comment**

*The Shire will seek to engage external resources to assist in developing a Risk Management Plan and Risk Register.*

**Responsible Person:** Peter Fitchat / Pania Turner

**Completion Date:** 30/06/2023

**SHIRE OF DUNDAS**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022**

**FINDINGS IDENTIFIED DURING THE AUDIT**

**Prior Year Issues**

**5. Asset Management Plan and Long-Term Financial Plan**

**Finding**

**2022**

The issue is still outstanding.

**2021**

The current Asset Management Plan was prepared in September 2017 and only covers the period until 2026-27 whereas the Long-Term Financial Plan was last reviewed in 2018 and only contains financial information on planned asset renewals to 2027-28. That means the Shire does not currently maintain an Asset Management Plan and Long-Term Financial Plan covering a 10-year period.

**Rating: Significant (2021: Significant)**

**Implication**

This may impact the strategic planning process and is likely to result in misstatement of the asset renewal funding ratio.

**Recommendation**

We recommend the Asset Management Plan and Long-Term Financial Plan are prepared, reviewed and updated annually to ensure 10 year projections are available as required by the regulations, to calculate the asset renewal funding ratio.

**Management Comment**

*The Shire has included in the 2022/2023 annual budget a provision to source external consultants to assist with the preparation and completion of the LTFP and AMP. The Shire will ensure that the plans provided are live documents that can be updated each financial year with external assistance if required.*

**Responsible Person:** Peter Fitchat

**Completion Date:** 30/06/2023

**SHIRE OF DUNDAS****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE AUDIT****6. Procurement Practices****Finding****2022**

During our sample testing of payments made during the year, we noted out of 60 transactions tested:

- 4 instances where the required number of quotations were not obtained prior to engaging a supplier for goods/ services
- 7 instances where the purchase order was raised after the invoice date
- 1 invoice without a purchase order
- 4 instances where there was no evidence of approval indicated on invoices for payment

**2021**

During our sample testing of payments made during the year, we noted out of 45 transactions tested:

- 7 instances where the required number of quotations were not obtained prior to engaging a supplier for goods or services
- 1 instance where the purchase order was raised after the invoice date
- 7 invoices without purchase orders
- 1 instance where the supplier invoice was checked to the incorrect purchase order
- 11 instances where there was no evidence of approval indicated on invoices for payment

**Rating: Significant (2021: Significant)****Implication**

If purchases are made without obtaining sufficient quotes, there is a risk of favouritism of suppliers and not obtaining value for money. Without approved purchase orders and payments of invoices, unauthorized goods/services may be purchased which increases the likelihood of financial loss to the Shire.

**Recommendation**

The management should review and reinforce current implementation of procurement policies and practices and ensure sufficient quotations are obtained as per the purchasing policy. Purchase orders should be raised and appropriately approved prior to ordering, and payments of invoices should be properly authorised before payments are made.

**Management Comment**

*The Shire has this year engaged an external consultant to assist in Procurement Practices; especially when it comes to sizable contracts.*

*A review of the Purchasing Policy has been completed along with registering to the WALGA Vendor Panel suite which allows you to manage both strategic and operational sourcing via a cloud-based secure platform.*

*Request for quote and tender templates have been developed and these templates are utilised through Vendor Panel as well as by staff through other requests.*

**Responsible Person:** Peter Fitchat

**Completion Date:** July 2022

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FINDINGS IDENTIFIED DURING THE AUDIT

7. Leave Forms not completed for Sick Leave and Annual Leave

**Finding  
2022**

We found that an annual leave form was not completed on 2 out of 4 occasions.

**2021**

We found that a sick leave form was not completed on 4 occasions and an annual leave form was not completed on 1 occasion.

**Rating: Moderate (2021: Moderate)**

**Implication**

Leave processed within the system is not supported by an authorized leave form. There is a risk that leave recorded is not valid, thus resulting in inaccurate payments to employees and leave balances.

**Recommendation**

Leave forms should be completed for all forms of leave and are duly authorized by the appropriate manager before leave is processed in the payroll system.

**Management Comment**

*The Shire will ensure all leave forms are completed for all leave types and that these leave forms are authorised by the appropriate person. A check will be added to the fortnightly payroll procedure by cross checking the Synergy leave report with authorised leave forms.*

**Responsible Person:** Pania Turner / Jodie Richardson

**Completion Date:** December 2022



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**8. Credit Card Expenditure**

**Finding**

**2022**

In our review of credit card expenditure, we noted 5 transactions amounting to \$1,405 where there was no supplier invoice to support the transaction.

**2021**

In our review of credit card expenditure, we noted 1 transaction amounting to \$136 where there was no supplier invoice to support the transaction.

**Rating: Moderate (2021: Minor)**

**Implication**

Without supporting documentation, there is an increased risk that credit card transactions may not represent valid business expenditure of the Shire.

**Recommendation**

Supporting documentation for all credit card transactions should be obtained in compliance with the Credit Card Policy and to ensure valid business expenditure of the Shire is incurred.

**Management Comment**

*The CEO will inform all Shire credit card holders to ensure valid Council business transactions are completed only and that receipts are kept for all transactions and sent to accounts payable for processing as per the Credit Card Policy. Alternate procedures by possibly resourcing credit card apps that specialise in assisting staff that are not on site at time of purchase to ensure the receipts are electronically recorded and processed.*

**Responsible Person:** Peter Fitchat

**Completion Date:** December 2022

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9. Security Deposits Incorrectly Banked to the Trust Bank Account

**Finding**

**2022**

The issue is still outstanding.

**2021**

We noted that funds received in relation to security deposits held are not banked into the municipal bank account and instead are being banked to the trust bank account.

**Rating: Moderate (2021: Moderate)**

**Implication**

Security deposits without specific customer mandate are deemed to be non-trust monies and required to be banked to the municipal account. The Shire has not complied with the legislation relating to accounting for trust monies.

**Recommendation**

Management should clear the funds relating to security deposits from the trust bank account by transferring the necessary funds to the municipal bank account.

**Management Comment**

*The security deposits have now been cleared from the trust bank account and transferred to the municipal bank account. All security deposits will be receipted and refunded from the municipal bank account.*

**Responsible Person:** Ciara Stewart / Jodie Richardson

**Completion Date:** 30 June 2022

## SHIRE OF DUNDAS

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE AUDIT

## 10. Bank Reconciliations

**Finding  
2022**

In our review of the monthly bank reconciliations, we noted that there was no evidence of review of the bank reconciliations for the month of June 2022.

**2021**

In our review of the monthly bank reconciliations, we noted:

- There were long outstanding cheque payments dating back to 2005 amounting to \$1,428 in relation to the Trust Account
- There was no evidence of review of the bank reconciliations for the months of July 2020, November 2020 and February 2021.

**Rating: Moderate (2021: Moderate)****Implication**

Long outstanding reconciling items which have past their expiry date in bank reconciliations will affect the accuracy of the bank balance. Review of bank reconciliations represent a key control and if not performed may result in errors in the accounting records going undetected.

**Recommendation**

The Shire should review and identify all long outstanding cheques in the bank reconciliations. Where cheques have become stale, the management should cancel, reverse and re-issue the cheques with correct details.

The Shire should ensure that the review and approval of bank reconciliations is evidenced either by physically printing and signing the reconciliation or a digital signature of the reconciliation by a senior employee of the Shire.

**Management Comment**

*Finance will implement reviews for long outstanding cheques every 3 to 6 months. Should the cheque become outstanding for more than 12 months, the payment will be reissued and sent to the correct details as mentioned in the recommendation.*

*The review of the bank reconciliations by a senior employee is currently being done. This has been added to the end of month procedure to ensure it is not overlooked.*

**Responsible Person:** Ciara Stewart / Jodie Richardson

**Completion Date:** July 2022

SHIRE OF DUNDAS

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11. Changes to Supplier Details

**Finding**

**2022**

During our testing of the supplier master files, we noted 1 instance out of a sample of 8 new supplier forms tested, where there was no evidence of review by a senior employee of the Shire.

**2021**

During our testing of the supplier master files, we noted 1 instance out of a sample of 10 new supplier forms tested, where the new supplier form was not signed by the supplier and 1 other instance where there was no evidence of review by a senior employee of the Shire.

**Rating: Moderate (2021: Moderate)**

**Implication**

This may result in unauthorised or inaccurate supplier information being processed to the supplier module giving rise to the risk of payments not being made to the appropriate supplier.

**Recommendation**

New supplier forms should be reviewed on a regular basis and manually or digitally signed by a senior employee of the Shire as evidence of review.

**Management Comment**

*The Shire has recently sourced and implanted EFTSURE which has introduced a new security standard for Shire creditor payments. All new suppliers and updates are reviewed by a senior employee to ensure correct procedures, correct data and security checks have been completed.*

**Responsible Person:** Ciara Stewart / Jodie Richardson

**Completion Date:** April 2022