

Minutes – Ordinary Council Meeting – Friday 26th May 2023

14.11 Report to the Minister of Local Government on Significant Audit Findings 2020/21

Applicant:	Shire of Yalgoo
Date:	22/05/2023
Reporting Officer:	Ian Holland Chief Executive Officer
Disclosure of Interest:	NIL
Attachments:	Audit Report Opinion and Management Letter 2020/2021

SUMMARY

That Council accept a report on significant audit findings that will be published on the Shires website and provided to the Minister for Local Government.

COMMENT

An exit meeting was held with the Deputy Shire President, OAG representative and AMD representative and the Auditors report was received on the 18th April 2023 and submitted to the Minister and Department of Local Government. This report resulted in a Disclaimer of Opinion.

Council is required to examine the report of the Auditor and take appropriate action in relation to the matters raised.

The findings identified during the Audit of the Shire of Yalgoo Financial Statements for the year ended 30 June 2021 are stated in the Management letter, together with the response provided by the Chief Executive Officer under the heading of "Management Comment" as provided to the Audit Committee.

The Auditors Report identified the following material/significant matters to be addressed by the Shire of Yalgoo.

(i) The following material matters indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:

a) Changes made to the supplier, employee, debtors and fixed assets masterfiles were not independently reviewed and authorised. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.

b) For seven out of 26 purchases sampled there was no purchase order raised. Additionally, for 36 out of 104 purchases sampled there was insufficient documentation to support the purchase. These practices increase the risk of fraud or favoritism of suppliers, not obtaining value for money in procurement, and inappropriate or unnecessary purchases.

c) All daily banking reconciliations sampled (being 21 instances) were not signed by either the preparer or reviewer (or both). This increases the risk of errors and omissions relating to cash remaining undetected.

Minutes – Ordinary Council Meeting – Friday 26th May 2023

d) From our review of the financial policy manual there were numerous instances identified where policies were out of date, required further work or did not reflect current practices. Without approved policies and procedures, this may lead to errors, fraud or non-compliance.

e) Management has not updated the asset management plan and long-term financial plan since 2013. As a result the Asset Renewal Funding Ratio for all years presented in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996 is not able to be supported by verifiable information or reasonable assumptions.

f) For 50% of credit card statements for the year (of which, half had no transactions) there was no evidence of independent review. This could result in unauthorised expenditure by the Shire.

g) Reconciliations for Trust accounts, investments, fixed assets, sundry debtors, sundry creditors, rates debtors and rates valuations were not maintained by the Shire for the full year. With key balance sheet accounts not being reconciled to the general ledger on a regular basis there is an increased risk that errors or imbalances will not be detected on a timely basis, which in turn could lead to misstatements in the Shire's financial reporting.

h) Accounting journal entries were processed with no evidence of independent review and approval by a senior staff member for 20% of the journals sampled. Additionally, adequate supporting documentation or commentary was not retained to support journal entries in 10% of the journals sampled. Accounting journals can represent significant adjustments to previously approved accounting transactions and, should therefore be independently reviewed and approved with evidence of this review being retained.

(ii) As a result of the matters described in the Basis for Disclaimer of Opinion section of my report, I am not able to report:

a. Whether there were not any significant adverse trends in the financial position of the Shire.

b. That all required information and explanations were obtained by me.

c. That all audit procedures were satisfactorily completed.

d. That the Asset Consumption Ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

Further Management Comment

As has been demonstrated and noted improvement has been made since a similar finding for the 2019/20 year. The findings for the 2019/20 year occurred well after this financial year had concluded and it was therefore not possible to bring them to the attention of Council and resource the required changes. Significant effort and resources have been used to develop more robust processes and roll out financial software that allows some of these best practice recommendations to be achieved.

Due to changes in management a significant number of these issues have been practically improved and further changes are being implemented as described by the Management Comments provided to the Audit Committee. Policy reviews and staff training have resulting in improvements to payroll and purchasing authorisations and further policy review will be conducted when operationally achievable.

Findings a & b have been significantly improved with additional staff and software from the introduction of the 2019/20 audit.

Finding c will always be difficult for a regional local government with no banking facilities. Timely banking of cash and following that, its review, is more costly than the amount of cash received. Monthly statements are signed by the preparer and reviewer and no instances were reported of undetected cash or transactions. This being said our informal daily checking has been formalised.

Finding d is currently being resourced. While policies have been presented to Council and adopted they have not been coordinated and merged into a single document.

Finding e - With uncertainty over the past few years relating to Covid-19 and supply chain issues it was not considered effective to renew the Shires Asset Management Plan while forecasting was so volatile. This has now commenced allowing the work to flow through to the review of other integrated strategic plans. With changes proposed to Integrated Reporting under Local Government Act reform it was also not considered financially responsible to externally generate/renew reports that may have become redundant.

Finding f relates to previous management and months where no expenditure was incurred.

External contractors are required to carry out reconciliations of accounts. This are checked monthly and reported to Council. Formal reconciliations are performed where administration believes it is appropriate however we will look to increase their frequency to better meet the requirements of the OAG.

Finding h has significantly improved since the previous audit and we will continue to expand our record keeping and evidence collation in this area.

The Shire of Yalgoo thanks the OAG for their more practical recommendations and will use this and any subsequent audit findings as a way for continuous improvement.

Minutes – Ordinary Council Meeting – Friday 26th May 2023

With nothing adverse being demonstrated we hope to be at a position in the near future to receive a complete audit that the OAG believes warrants an actual opinion and not a disclaimer of opinion.

STATUTORY ENVIRONMENT

Local Government Act 1995

7.12A. Duties of local government with respect to audits

- (3) A local government must —
- (aa) examine an audit report received by the local government; and
 - (a) determine if any matters raised by the audit report, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must —
- (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4) (b), the CEO must publish a copy of the report on the Local governments' official website.

POLICY/FINANCIAL IMPLCATIONS

NIL

VOTING REQUIREMENT

Simple Majority

OFFICERS RECOMMENDATION

That Council adopts the Report on the Audit Management Letter for the financial year ended 30 June 2021 for publication on the Shire Website and forwarding to the Minister for Local Government.

COUNCIL RESOLUTION – C2023-05-18

Moved: Cr Raul Valenzuela

Seconded: Cr Gail Simpson

That Council adopts the Report on the Audit Management Letter for the financial year ended 30 June 2021 for publication on the Shire Website and forwarding to the Minister for Local Government.

CARRIED: 5/0

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Matters identified during the current year			
1. Fair value of Land, Building and Infrastructure Assets	✓		
2. GST and PAYG Balances		✓	
3. Risk register		✓	
4. Audit committee meetings			✓
Matters outstanding from prior year			
5. Masterfile Accuracy and Validity	✓		
6. Non-compliance with Internal Purchasing Policy	✓		
7. Daily Banking Reconciliations and Cash Handling/Receipting	✓		
8. Out of Date Council Policy Manual	✓		
9. Asset Management Plan and Long-Term Financial Plan	✓		
10. Credit Card Procedures	✓		
11. Key Balance Sheet Reconciliations	✓		
12. General Journals – Supporting Documentation	✓		
13. Payroll Exceptions	✓		
14. Sundry and Rates Debtors		✓	
15. Rates Notices		✓	
16. High annual leave accrual at year end		✓	
17. Non-compliance with Section 5.55A of the <i>Local Government Act 1995</i>		✓	
18. Non-compliance with Local Government (Financial Management) Regulations 1996		✓	

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 may be reported as a matter of non-compliance in the audit report in the current year 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 YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****1. Fair value of land, buildings and infrastructure assets****Finding**

The Shire of Yalgoo has not performed an assessment to determine whether its land, building and infrastructure assets – roads, airport and other represent fair value at the end of the reporting period. Land and buildings were last formally revalued in 2017, and infrastructure was last formally revalued in 2018.

AASB 116 'Property, plant and equipment' requires asset revaluations to be made with sufficient regularity to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. When the fair value differs materially from the carrying amount, a further revaluation is required.

Regulations 17A(4)(a) and (b) of the Local Government (Financial Management) Regulations 1996 (the Regulations) require a local government to revalue its revalued assets when it is of the opinion that the fair value is likely to be materially different from the carrying amount, and in any event, no more than 5 years from the last revaluation.

**Rating: Significant
Implication**

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

Recommendation

The Shire consider implementing as a 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 Measurements*. 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 value 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 conducted a land and building revaluation for 30 June 2022 and will take on board more comprehensive and documented assessment of fair value outside of insurance assessment on a yearly basis.

Responsible officer:

CEO

Completion date:

30 June 2023

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

2. GST and PAYG balances

Finding

The Shire of Yalgoo's ATO integrated account includes various amendments (some dating back to 2019), adjustments and interest charges as a result of GST and PAYG balances not being reported correctly and paid in accordance with statutory requirements at the time of lodgement of the Activity Statements. Due to lack of reconciliation procedures, amendments to the Activity Statements (post lodgement with the ATO) are being processed.

Rating: Moderate**Implication**

Without reconciliation controls in place to ensure ATO liabilities are correctly recorded and paid in accordance with statutory requirements, it is likely to result in misstatement of GST and PAYG balances in the financial report in addition to the potential to incur interest charges and penalties.

Recommendation

We recommend robust GST, PAYG and BAS reconciliation procedures be implemented to ensure correct and timely lodgement of the required ATO forms and timely payment.

Management comment

Below is matters outstanding with the ATO as of 3 April 2023

The Shire will look to develop procedures and include them as part of future contracts for the provision of accounting services.

SHIRE OF YALGOO

TFN 46 048 950 ABN 74 086 787 099

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Summary

Profile
▼Accounts and payments
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COVID-19

Access ATO measures and tailored support during COVID-19

View For action 

Lodgments

Account	Description	Due date	
Activity statement 001	Jan 2023 - Mar 2023 Business activity statement	21/04/2023	Prepare >
Activity statement 001	Jul 2020 - Sep 2020 Business activity statement	21/10/2020	Overdue Prepare >
Fringe benefits tax 551	2023 Fringe benefits tax return	22/05/2023	

Responsible officer:

Deputy CEO

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****3. Risk register****Finding**

Although the Shire of Yalgoo has an individual risk management policy, we noted an overall Risk Management Framework or Plan has not been developed (encompassing all policies, procedures, a risk register etc.).

Rating: Moderate**Implication**

Without a comprehensive and up to date risk management framework, potential risks associated with Shire operations may not be identified and treated appropriately such as litigation/claims, fraud/misconduct, media release and environmental procedures as examples.

Recommendation

We recommend an overall Risk Management Framework be developed, encompassing all risk policies and procedures and be linked to an organisational risk register.

Management comment

The Shire regularly works with its Mutual Insurer and other entities to understand current and potential risks. Further development of policy as well as a plan and register will be actioned if resources permit.

Responsible officer:

Deputy CEO

Completion date:

31 December 2023

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

4. Audit committee meetings

Finding

We noted only one Shire of Yalgoo Audit Committee meeting was held during the year ended 30 June 2021.

Rating: Minor

Implication

If there are not regular audit committee meetings there is a risk of the necessary governance and oversight responsibilities not being met.

Recommendation

Local Government Operational Guideline 9 – Audit in Local Government outlines that it is best practice for the Audit Committee to meet on at least a quarterly basis.

Management comment

For smaller local governments this is a significant financial burden for something that could be incorporated into a standard Council meeting. This makes sense as all Shire of Yalgoo Councillors are Audit Committee Members. Council will be presented with this option separate to the audit process for a determination on meeting frequency and agenda topics.

Best Practice Guidelines may not be appropriate across the sector due to the vast differences in local government size, resourcing or community expectation.

Responsible officer:

CEO

Completion date:

Pending a Decision of Council

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****MATTERS OUTSTANDING FROM PRIOR YEAR****5. Masterfile accuracy and validity****Finding 2019**

The Shire does not currently conduct an independent review of all changes and adjustments made to masterfiles, including changes to payroll, fixed assets, revenue and expenditure. In particular there is no review for timeliness of changes made, errors, or any other unauthorised changes.

Status 2020

Changes made to the supplier, employee, debtors and fixed assets masterfiles were not independently reviewed and authorised. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.

Status 2021

Changes made to the supplier, employee, debtors and fixed assets masterfiles were not independently reviewed and authorised. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.

Rating: Significant (2019: Significant, 2020: Significant)**Implication**

There is an increased risk that:

- Required changes to the masterfiles are untimely;
- Erroneous changes made to masterfiles have a low chance of being detected in a timely manner; and
- Suspicious/fraudulent changes made to masterfiles have a low chance of being detected in a timely manner.

Recommendation

We recommend an independent review of all changes made to masterfiles be conducted periodically. This review should involve:

- A download of all changes (new/old/modify) made to each masterfile;
- A representative sample be tested and traced to originating/supporting documentation to assure validity and timeliness; and
- A review of suspicious master-file changes (e.g. changes to bank details, unusual variations to pay-rates and amendments to existing supplier bank account details) be performed.

Management comment

The Shire of Yalgoo changed financial software at the end of the 2021/22 Financial Year. This new software allows for audit trails to be examined and a hierarchy of user privileges has been established. Periodic Masterfile reviews have been conducted during the 2022/23 Financial Year.

The Shire will continue to develop policies and procedures for the routine checking of master files as well as the recording of independent review and authorisation.

Responsible officer:

Deputy CEO

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****6. Non-Compliance with Internal Purchasing Policy****Finding 2019**

As previously noted and carried forward from the 2018 Interim Management Letter, the internal purchasing policy 7.2 *Purchasing and Tenders* requires that purchases within prescribed thresholds meet certain conditions in order to comply with the *Local Government Act 1995* and accompanying regulations.

During our procurement testing, our audit sample identified instances where there was insufficient documentation to indicate that the requisite number of quotations had either been obtained or, in some cases, not attached to the payment record.

In addition to the above, the following exceptions were noted whilst conducting our procurement and payments testing:

- Purchase orders had not been raised for certain transactions.
- Where a purchase order has been raised, these were usually raised after the supplier invoice was received.
- Purchase orders were not always matched to the supplier invoice.
- Documentation was missing to support a payment made to a supplier on the 24 April 2019.
- Purchase order number 545 for an amount of \$12,133 was signed by an Officer without the sufficient authorisation limit.
- Creditor batch listings were not consistently signed as evidence of independent review.
- NAB Bank Authorisation form was not consistently signed by two authorities, and in some instances the authorization was in the form of an email or SMS, however this was not printed and attached to the form as evidence of authorization.
- Lack of segregation of duties with the same Officer both preparing the batch listing and authorizing the payment.
- There are only two cheque signatories and EFT authorities in place with no back-up available.

Status 2020

During our procurement testing, we identified the following exceptions:

- Purchase orders had not been raised for 13 out of the 26 transactions tested.
- Where a purchase order has been raised, these were usually raised after the supplier invoice was received (11 out of the 13 purchase orders tested.);
- One purchase order was signed by an Officer without the sufficient authorisation limit.
- Seven instances out of the 26 transaction tested were identified where insufficient documentation to indicate that the requisite number of quotations has been obtained.
- Creditor batch listings were not consistently signed as evidence of independent review (22 out of the 26 instances tested).
- Physical NAB Bank Authorisation form was not consistently signed by two authorities prior to payment, and in some instances the authorisation was in the form of an email or SMS, however this was not printed and attached to the form as evidence of authorisation (21 out of the 26 instances tested).
- Lack of segregation of duties with the same Officer both preparing the batch listing and authorizing the payment.
- There are only two cheque signatories and EFT authorities in place with no back-up available.

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****Status 2021**

We noted during our testing that there was a significant improvement in the controls surrounding purchasing and compliance with the Council's purchasing policy, however our procurement testing still identified the following exceptions:

- Invoices were not available to be provided in 36 out of the 104 purchase transactions selected for testing;
- Purchase orders had not been raised for 7 out of the 26 transactions tested; and

Rating: Significant (2019: Significant, 2020: Significant)**Implication**

There is an increased risk of unauthorised purchases and non-compliance with the Shire's purchasing policy when purchase orders are not raised. The lack of documentation being available for audit to view also raises concerns of whether all purchases were valid and appropriately complied with the Shire's purchasing policy. These findings also indicate non-compliance with *Local Government (Functions and General) Regulations 1996 Part 4*.

Recommendation

The requirement for full compliance with the Shire's purchasing policy should be communicated to all staff and be closely monitored by management.

- Purchase orders be raised for all transactions prior to the expenditure being incurred by the Shire and only by an Officer with the appropriate authorization.
- Prior to payment, the purchase order be matched to the supplier invoice to ensure that the Shire is not expending funds that are greater than what was initially agreed.
- Appropriate supporting documentation should be maintained to support all purchases made by the Shire.

Management comment

These requirements were significantly reinforced with staff after receiving the 2019/20 Audit Report in March 2021. Additional staff were hired and trained to more adequately segregate duties and better assess compliance with the purchasing policy. This recommendation will be performed yearly.

Responsible officer:

Deputy CEO

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****7. Daily banking reconciliations and cash handling/receipting****Finding 2019**

Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3 issued by the Department Local Government in September 2012 outlines the minimum level of monitoring and control activities for key risk areas. At 4(h), the manual states "*Reconciliation of daily deposit total to receivable posting and cash sales is prepared and reviewed.*"

During our daily banking testing, we identified that 13 out of the 15 daily banking reconciliations tested were either not completed, signed by the reviewer as evidence of independent review or the preparer of the reconciliation.

In addition, our daily banking testing identified the following:

- Bank statements are reviewed only on a monthly basis to ensure that all cash receipts are recorded in Ozone.
- No receipts had been generated to provide proof of the \$214.50 held in the Shire office's till on 7 May 2019 (identified whilst conducting cash counts on 7 May 2019).
- The Shire office's till is not reconciled to the \$100 float on a daily basis, rather this is only completed when the cash balance reaches ~\$1,000.
- The Shire was unable to confirm when recorded cash takings of \$980 on 11 October 2018 was banked, rather we were informed that this is currently under investigation as to what happened to the cash or whether it was receipted in error.
- The Caravan Park Manager is unable to open the safe at the Caravan Park and will keep up to \$1,000 in the till until the cash is taken to the Shire office for banking.
- Cash is held on the premises for an extended period of time as the Shire only completes banking on a fortnightly basis.

Status 2020

During our daily banking testing, we identified that all daily banking reconciliations sampled were either:

- not completed (three out of the 21 days tested)
- not signed by the reviewer as evidence of independent review (all 21 days tested) or
- not signed by the preparer of the reconciliation (18 out of the 21 days tested).

In addition, our daily banking testing identified the following:

- bank statements are reviewed only on a weekly basis to ensure that all cash receipts are recorded in Ozone
- the Shire was unable to confirm when recorded cash takings of \$27.50 on 29 November 2019 was banked and
- cash is held on the premises in the Safe for an extended period of time as the Shire only completes banking on a fortnightly basis.

Status 2021

There was a significant improvement noted during our daily banking testing, however we identified that daily banking reconciliations sampled were either:

- not signed by the reviewer as evidence of independent review (all 21 days tested) or
- not signed by the preparer of the reconciliation (11 out of the 21 days tested).

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT**

In addition, our daily banking testing identified the following:

- Bank statements are reviewed only on a weekly (sometimes monthly) basis to ensure that all cash receipts are recorded in Ozone.
- Cash is held on the premises in the Safe for an extended period of time as the Shire only completes banking on a fortnightly basis.

Rating: Significant (2019: Significant, 2020: Significant)

Implication

- Daily banking reconciliations sampled in most instances were either not completed or not signed by the preparer and/or the independent reviewer. This increases the risk of errors and omissions relating to cash remaining undetected.
- Delayed review of bank statements and the allocation of associated cash receipts within Ozone increases the risk of the Shire not accounting for funds received in a timely fashion nor does it allow the Shire to actively manage its debtors.
- Lack of timeliness of banking increases the risks of cash being misappropriated.

Recommendation

Daily banking reconciliations should be consistently prepared and adequately reviewed on a daily basis by an independent senior management staff member.

In addition, we recommend:

- Bank statements are generated, coded and checked off to ensure all cash receipts are appropriately recorded in Ozone on a daily basis and
- Cash be banked at least on a weekly basis to decrease the risk of theft.

Management comment

Banking will always be done as and when it is required due to the 200km journey to the nearest bank. As further regional banks close this issue will effect more regional local governments who handle significantly higher amounts of cash. At present during an average month it costs more money in wages and vehicle expenses to transport money than the amount of cash received by the office. The Shire will continue to promote cashless payment as a preferred option.

Bank receipting is carried out on a daily basis and reconciliations are conducted externally on a monthly basis. Further resourcing is required to implement daily reconciliations. Recommendations relating to daily receipting and reconciliations will be implemented this financial year.

Responsible officer:

Deputy CEO

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****8. Out of date council policy manual****Finding 2019**

Whilst completing our interim testing, we identified instances where the Council Policy Manual (the "Manual") does not reflect current practices and is potentially out of date:

- *Investment Policy* not located in the Manual although as stated within Council minutes dated 27 October 2017, the Council resolved to adopt the policy and the Manual would be updated accordingly.
- *Risk Management Policy* not located in the Manual.
- There is no documented Related Party Policy.
- *Policy 11.5, Superannuation* reference 9% opposed to the current 9.5%.
- *Policy 7.2, Purchasing and Tenders* does not allow for WALGA eQuotes and the tender limit reference is \$100,000 rather than the current limit of \$150,000.
- Numerous policies in the Manual state either out of date or further work required.

Furthermore, we identified that section 2.4, Creditors Payments of the Delegations Register dated 26 May 2017 has not been updated to reflect the Shire's current practices, specifically with respect to the authorities of the Finance and Administration Officer.

Furthermore, we noted that the Code of Conduct was last reviewed on 18 April 2002 and may require a review to ensure that it is up to date and relevant.

Status 2020

Whilst completing our testing, we identified instances where the Council Policy Manual (the "Manual") does not reflect current practices and is potentially out of date:

- *Investment Policy* not located in the Manual although as stated within Council minutes dated 27 October 2017, the Council resolved to adopt the policy and the Manual would be updated accordingly.
- *Risk Management Policy* not located in the Manual.
- There is no documented Related Party Policy.
- *Policy 11.5, Superannuation* reference 9% opposed to the required 9.5%.
- *Policy 7.2, Purchasing and Tenders* does not allow for WALGA eQuotes and the tender limit reference is \$100,000 rather than the current limit of \$150,000.
- Numerous policies in the Manual state either out of date or further work required.

Status 2021

Whilst completing our testing, we identified instances where the Council Policy Manual (the "Manual") does not reflect current practices and is potentially out of date:

- *Code of Conduct for Elected Members* not in place as required under the Model Code of Conduct Regulations 2021. Section 5.104 of the Act requires local governments to adopt the Model Code as their Code of Conduct within 3 months of the Regulations coming into operation (being 3 May 2021).
- *Investment Policy* not located in the Manual although as stated within Council minutes dated 28 January 2022, the Council resolved to adopt the policy and the Manual would be updated accordingly.

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT**

- There is no documented *Related Party Policy*.
- *Policy 7.2, Purchasing and Tenders* does not allow for WALGA eQuotes and the tender limit reference is \$100,000 rather than the current limit of \$250,000.
- Numerous policies in the Manual state either out of date or further work required.

Rating: Significant (2019: Significant, 2020: Significant)**Implication**

Without approved policies and procedures, staff may be unaware of Council and management's expectations regarding how they conduct themselves and perform various key transactions and activities. This can lead to errors, fraud and/or non-compliance.

Recommendation

We recommend that each policy contained in the Manual is reviewed and updated to reflect the Shire's current practices. All new policies should be added to the Manual.

In addition, we recommend that the Shire develop and implement a Related Party Policy and adopt the Model Code of Conduct for Elected Members.

Management comment

The Shire of Yalgoo consolidated Policy Manual requires updating and these policies need to be more readily accessible on the Shires Website – Many have been updated by Council but resourcing is required to include them in a consolidated document.

A new website framework was brought online in March 2023 and contract services will be engaged to update website and policy manual information and make sure it is readily labelled and easily identifiable. Some information is currently only available by search and administration can provide assistance for any requests.

In the lead up to the 2021 Ordinary Elections Administration updated the Councillor/Governance Policy Manual which included the previously adopted Code of Conduct for Elected Members (April 2021).

<https://www.yalgoo.wa.gov.au/documents/669/2021-04-ordinary-council-meeting-agenda-and-attachments>

<https://www.yalgoo.wa.gov.au/documents/681/2021-07-ordinary-council-meeting-agenda-and-attachments>

Staff and Councillors currently utilise related party guidelines from other institutions and a Shire policy will be included in the described policy manual work.

Like the described Investment Policy, Council updated the Purchasing Policy in November 2020 but it has not been adequately included in a consolidated manual.

<https://www.yalgoo.wa.gov.au/documents/658/2020-11-ordinary-council-meeting-agenda>

Responsible officer:

CEO

Completion date:

30 October 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****9. Asset management plan and long-term financial plan****Finding 2019**

As required by Regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996, the Shire is to disclose in its Annual Financial Report an “asset renewal funding ratio” and in terms of Regulation 10(3)(e) of the Local Government (Audit) Regulations 1996 the auditor is required to provide an opinion on whether or not the following financial ratios included in the Annual Financial Report are supported by verifiable information and reasonable assumptions:

- (i) The asset consumption ratio and
- (ii) The asset renewal funding ratio.

An up to date asset management plan and long-term financial plan assists the local government to comply with the requirements stated above. At the date of the interim audit, we noted the Shire did not have up to date asset management plan (dated 2013) and long-term financial plan (dated 2013) in place.

Status 2020

We noted the Shire still did not have an up to date asset management plan or long-term financial plan in place, this has resulted in the Shire calculating average values for planned capital renewals and required capital expenditure to be used for the purposes of the asset renewal funding ratio for both FY2018/2019 and FY2019/2020.

Status 2021

We noted the Shire still did not have an up to date asset management plan or long-term financial plan in place, this has resulted in the Shire calculating average values for planned capital renewals and required capital expenditure to be used for the purposes of the asset renewal funding ratio for FY2018/2019, FY2019/2020 and FY2020/2021.

In addition to the above, it was noted that the Corporate Business Plan for the Shire of Yalgoo was also out of date.

Rating: Significant (2019: Significant, 2020: Significant)**Implication**

Without an up to date asset management plan and long-term financial plan in place the asset renewal ratio is not supported by verifiable information and reasonable assumptions as required by Regulation 10(e) of the Local Government (Audit) Regulations 1996.

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

Recommendation

We recommend the Shire reviews the current asset management plan and long-term financial plan to ensure that the required capital renewals, capital expenditure and replacement costs estimated is relevant and up to date to enable the calculation of the asset renewal funding ratio.

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

Management comment

This has been allocated in the current budget and an external contractor has been engaged. Asset values and renewal predictions have been highly volatile over the past two years of Covid-19 uncertainty and further uncertainty was generated by the proposed reforms of the Department of Local Government as to the necessity of some strategic plans. This recommendation is currently being actioned.

Responsible officer:

CEO

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****10. Credit card procedures****Finding 2019**

As previously noted and carried forward from the 2018 Interim Management Letter, as required by Regulation 13(1) of the Local Government (Financial Management) Regulations 1996, a list of accounts paid by the CEO is to be prepared each month showing for each account paid since the last such list was prepared:

- (a) The payee's name.
- (b) The amount of the payment.
- (c) The date of the payment.
- (d) Sufficient information to identify the transaction.

We noted, for both months tested (August 2018 and December 2018) credit card expenditure was not individually itemised on the List of Payments presented to Council, and instead the balance accrued and owing was listed as the payment.

In addition, our audit sample testing with respect to credit cards identified the following:

- (a) There was no credit card agreement in place with the credit card holder, being the CEO.
- (b) The monthly credit card statement was not signed by the credit card holder, nor was the credit card statement independently reviewed by the Council President.
- (c) Receipts/invoices could not be located to support expenditure incurred on the credit card for July 2018, August 2018, September 2018, October 2018 and February 2019.

Status 2020

We noted, for all 12 months during 2019/2020 credit card expenditure was not individually itemised on the List of Payments presented to Council, and instead the balance accrued and owing was listed as the payment.

In addition, our audit sample testing with respect to credit cards identified the following:

- There was no credit card agreement in place with the credit card holder, being the CEO.
- The monthly credit card statement was not signed by the credit card holder, nor was the credit card statement independently reviewed by the Council President.
- Receipts/invoices could not be located to support expenditure incurred on the credit card for July 2019, September 2019, December 2019, January 2020, February 2020, March 2020, April 2020 and June 2020, totaling \$1,346.73 of unsupported expenditure which is 6% of total expenditure via credit card.

Status 2021

We noted controls relating to credit cards improved from February 2021, however, for all 12 months during 2020/2021 credit card expenditure was not individually itemised on the List of Payments presented to Council, and instead the balance accrued and owing was listed as the payment.

In addition, our audit sample testing with respect to credit cards identified the following:

- There was no credit card agreement in place with the credit card holder, being the CEO.
- From our review of 100% of the credit card statements during the financial year, it was noted that six out of the 12 were not independently reviewed by the Council President.
- Two receipts/invoices could not be located to support expenditure incurred on the credit card in the months of March 2021 and May 2021, totaling \$37.48 of unsupported expenditure which is 0.2% of total expenditure via credit card.

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****Rating: Significant (2019: Moderate, 2020: Significant)****Implication**

- Non-compliance with Regulation 13(1) of the Local Government (Finance Management) Regulations 1996.
- Failure to maintain adequate records to support credit card transactions results in non-compliance with *Local Government Operational Guidelines – Number 11 – September 2006 ‘Use of Corporate Credit Cards’*.
- Risk that error or fraud may not be detected on a timely basis.

Recommendation

In accordance with Regulation 13(1) of the Local Government (Financial Management) Regulation 1996, we recommend individual accounts paid be itemised on the List of Payments presented to Council which includes individual transactions incurred using the Shire’s credit card.

In addition, we recommend:

- A formal credit card agreement be developed which outlines the appropriate use of the credit card and is signed by the credit card holder.
- The credit card holder reviews and signs the credit card statement on a monthly basis. As the credit card holder is the CEO, it is also recommended that the Council President reviews and signs the credit card statement as evidence of independent review.
- Supporting documentation is maintained for all expenditure incurred using the Shire’s credit card. In the event the receipt/invoice is lost the credit card holder should complete a lost receipt/statutory declaration.

Management comment

From October 2020 the only months not independently reviewed by the Shire President had no expenditure other than the monthly fee.

The two missing receipts totalling \$37.48 were for postage of a legal document in Perth and the purchase of fuel when a fuel card failed. These explanations have been accepted and the payments authorised. A statutory declaration will be placed on file.

As a suitable policy was not in place the CEO implemented a Credit Card Policy in October 2021. Statements are tabled or presented to Council upon request. A more robust requirement for listing the accounts will be included in the next contract for accounting services.

https://www.yalgoo.wa.gov.au/profiles/yalgoo/assets/clientdata/2021-10_ordinary_council_meeting_agenda___reports_29_october_2021.pdf

Responsible officer:

CEO

Completion date:

30 April 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****11. Key balance sheet reconciliations****Finding 2019**

Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3 issued by the Department Local Government in September 2012 outlines the minimum level of monitoring and control activities for key risk areas which advises that key balance sheet accounts should be reconciled and reviewed routinely.

During our review of the month end reconciliation procedures, we noted that the following key balance sheet accounts are not being reconciled to the general ledger on a monthly basis:

- investments
- fixed assets
- sundry debtors
- sundry creditors
- rates debtors
- rates valuations.

In relation to the Sundry Debtors and Rate Debtors accounts, as at 31 March 2019, unexplained variances were identified between the general ledger and the sub-ledger.

In addition, we identified that although the:

- municipal Bank Account is reconciled on a monthly basis, this bank account is not reconciled or independently reviewed on a timely basis. Furthermore, we noted that there are long outstanding uncleared transactions recorded on the reconciliation (as previously noted and carried forward from the 2018 Final Management Letter).
- reserves Bank Account(s) is reconciled on a monthly basis, there was no evidence of independent review
- trust Bank Account is reconciled on a monthly basis, there was no evidence of independent reviews.

Furthermore, at the time of the interim audit, the Shire had not rolled over the 2017/18 balances in Ozone making it difficult to agree the audited balances for the year ended 30 June 2018 to the opening balances as at 1 July 2018.

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****Status 2020**

During our review of the month end reconciliation procedures, we noted that the following key balance sheet accounts are not being reconciled to the general ledger on a monthly basis:

- trust account
- investments
- fixed assets
- sundry debtors
- sundry creditors
- rates debtors
- rates valuations.

In addition, we identified that although the:

- Municipal Bank Account is reconciled on a monthly basis, this bank account is not reconciled or independently reviewed on a timely basis. Furthermore, we noted that there are long outstanding uncleared transactions recorded on the reconciliation.
- Reserves Bank Account(s) is reconciled on a monthly basis, there was no evidence of independent review.

Status 2021

During our review of the month end reconciliation procedures, we noted that the following key balance sheet accounts were still not being reconciled to the general ledger on a monthly basis:

- trust account
- investments
- fixed assets
- sundry debtors;
- sundry creditors;
- rates debtors
- rates valuations.

In addition, we identified that although the:

- Municipal bank account is reconciled on a monthly basis, the bank account is not reconciled or independently reviewed on a timely basis. Furthermore, we noted that there are long outstanding uncleared transactions recorded on the reconciliation; and
- Reserves bank account(s) are reconciled on a monthly basis, there was no evidence of independent review.

Furthermore the following was noted:

- The municipal bank reconciliation was out of balance by \$15,451 as at 30 June 2021, however this was rectified in July 2021.
- The trust bank account is not correctly reconciled and is out of balance by \$3,334.

Rating: Significant (2019: Moderate, 2020:Significant)

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****Implication**

By key balance sheet accounts not being reconciled to the general ledger on a regular basis there is an increased risk that errors, imbalances or fraud will not be detected on a timely basis, which in turn could lead to misstatements in the Shire's financial reporting. There is non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend that key balance sheet accounts are regularly reconciled to the general ledger on a timely basis (i.e. monthly), being within the first week after month end. This will ensure that any errors or imbalances are detected on a timely basis and the appropriate action taken accordingly. It is important that the balance sheet reconciliation is independently reviewed and signed off as evidence of independent review.

Management comment

Since October 2020 the only transactions in the Trust Account have been monthly interest. This is checked ad hoc by Management.

There have been improvements in 2022/23 regarding reconciliations of accounts such as rates, debtors creditors and valuations however more qualified staff and training is required to make these reconciliations more timely. Other reconciliations are currently performed externally and will be brought back in house when suitable staff are attracted.

Responsible officer:

Deputy CEO

Completion date:

30 September 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****12. General journals – Supporting documentation****Finding 2019**

Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3 issued by the Department Local Government in September 2012 outlines the minimum level of monitoring and control activities for key risk areas. At 14(a), the manual states “*All journals are independently reviewed (including check to ensure correct account allocation) and contain sufficient support information.*”

During our general journal testing, we noted that although in most cases the general journal is printed off and signed off by both the preparer and independent reviewer, there was limited documentation attached to the general journal print-out that supporting the journal posted.

Status 2020

During our general journal testing, we noted the following exceptions:

- For all ten general journals tested, we were unable to determine who at the Shire had prepared the journal with the report only showing “YALGOOACCOUNTS”;
- For eight out of the ten general journals tested, there was no narration noted and we were required to look at the general ledger accounts the journal impacted on to determine the purpose of journal;
- For four out of the ten general journals tested, only the “General Ledger Detailed Batch Journal Listing” had been printed with no supporting documentation attached; and
- For nine out of the ten general journals tested, there was no evidence of independent review.

Status 2021

An improvement in relation to the General Journal controls was noted later in 2021, however during our general journal testing, we noted the following exceptions:

- For 7 out of the 20 general journals tested, we were unable to determine who at the Shire had prepared the journal with the report only showing “YALGOOACCOUNTS”;
- For 2 out of the 20 general journals tested, there was no narration noted nor was there any supporting documentation attached therefore we were required to look at the general ledger accounts the journal impacted on to determine the purpose of journal;
- For 4 out of the 20 general journals tested, there was no evidence of independent review.

Rating: Significant (2019: Moderate, 2020: Significant)**Implication**

In the absence of supporting documentation being attached to the general journal the process of general journal being independently reviewed is null and void and increases the risk of error and omissions not being detected in a timely manner. There is a further risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend supporting documentation be attached to the general journal print-off and the general journal should be independently reviewed in conjunction with the supporting documentation. General journals should not be signed off by the independent reviewer without the supporting documentation. In addition, the general journal should be consistently signed off by both the preparer and independent reviewer.

SHIRE OF YALGOO
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021
FINDINGS IDENTIFIED DURING THE AUDIT

Management comment

In the case of Ozone, journals were prepared by contract positions and then entered by YALGOOACCOUNTS. Access to this account is limited to the then position of finance officer/executive assistant.

The Shire is currently resourced to implement electronic record keeping. This will help to further improve the capture of documentation and authorisations both onsite and offsite.

Journal records have improved and the new financial system allows for printing that can be authorised and recorded.

Responsible officer: Deputy CEO
Completion date: 30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****13. Payroll exceptions****Finding 2019**

As previously noted and carried forward from the 2018 Interim Management Letter, during our payroll testing, we noted the Payroll Report generated from Datacom is not signed off as evidence of independent review.

In addition, we noted the following exceptions pertaining to our audit sample:

- Termination payout calculations are not independently reviewed and signed off.
- The NAB Authorization form for 30 December 2018 did not have two authorities.
- Terminated employee 1/HODGL did not have a documented employment contract supporting the hourly pay rate paid.
- We were unable to agree employee 1/MAHA's pay rate to a documented letter of offer or contract.
- For two employees the Shire's superannuation matching was higher than the agreed 5% in the pay slips tested.
- Electricity allowance calculation not in accordance with section 3 of internal policy, *11.4 Staff Housing – Subsidies*.
- Annual leave taken by employee 1/EGANR for the pay period ended 13 January 2019 was not supported by an authorised leave form.
- Payroll Comparison Report per pay period is not currently issued by Datacom for the Shire's review.

Status 2020

Our payroll testing identified that the Payroll Report generated from Datacom is still not signed off as evidence of independent review.

In addition, we noted the following exceptions pertaining to our audit sample:

- Termination payout calculations are not independently reviewed and signed off;
- The NAB Authorization physical form for 14 July 2019 and 8 March 2020 payroll payments was not physically signed by the two authorities prior to payment on NAB Online;
- For two employee the Shire's superannuation matching was higher than the agreed 5% in the pay slip tested, it is understood that this error occurred when the Shire moved across from Reckon to Ozone; and
- Electricity allowance calculation not in accordance with section 3 of internal policy, *11.4 Staff Housing – Subsidies*. We are unable to determine what the impact of the electricity allowance being calculated in accordance with the internal policy, however the total electricity allowance paid to staff for FY2019/2020 was \$5,537.

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****Status 2021**

Our payroll testing identified that the Payroll Report generated from Datacom is still not signed off as evidence of independent review.

In addition, we noted the following exceptions pertaining to our audit sample:

- Termination payout calculations are not independently reviewed and signed off;
- For two employees tested the Shire's superannuation matching was higher than the agreed 5% in the pay slip tested, it is understood that this error occurred when the Shire moved across from Reckon to Ozone;
- Termination checklists are not utilised;
- Numerous instances where documentation was not available in respect of salary sacrifice arrangements, changes from casual to full-time employment, letter of offer or contract for support of payrate; and
- The Payroll Register Summary is not signed as evidence of independent review.

Rating: Significant (2019: Moderate, 2020: Significant)

Implication

The absence of review and approval of payroll reports, termination calculations and leave taken, could result in invalid transactions and incorrect amounts being paid to employees. There is a further risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend the following:

- The Payroll Report generated from Datacom be independently reviewed and evidence of this review is documented in the form of a physical sign-off.
- Termination payout calculations be independently reviewed and signed off.
- Ensure that the Shire's superannuation matching is 5% or the relevant percentage and calculated accordingly on the employee's pay slip and legal advice should be obtained with respect to recovery of superannuation overpayments from current employees and former employees.
- All documentation relating to employee payroll be retained in employee files.

Management comment

At the time it was difficult to further segregate duties due to the number of staff. Independent review was simply recorded as the seconder authorising a termination payment.

Administration identified the superannuation error, isolated to two long serving employees with superannuation matching. This money has since been recovered from their superannuation funds. A full review was carried out at the time the error was discovered and no further instances were found. Regular reviews are now performed.

Termination checklists and further termination authorisations will be implemented for departing staff and checks of all payroll documentation will be undertaken when resourcing allows.

Responsible officer:

CEO

Completion date:

30 December 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****14. Sundry and Rates Debtors****Finding 2019**

Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3 issued by the Department Local Government in September 2012 outlines the minimum level of monitoring and control activities for key risk areas. At 4(k), the manual states “*Significant overdue customer accounts are investigated by management and actions taken documented.*”

Whilst reviewing the month end reconciliation procedures, we identified that as at 31 March 2019, 96.6% of the outstanding debtors balance were aged 90+ days with the majority of this balance relating to Tourism WA of \$33,000. Our enquiries at the time of our interim audit indicated a credit note should be issued for this balance due to the Shire recording this sundry invoice twice. We were further advised there were other balances on the debtor aged trial balance which a credit note is required to be issued.

In relation to rates debtors, we were advised that after the 35 days have passed for payment to be made, nothing further happens, for example there is no active following up of outstanding balances.

In addition, our sundry debtor and credit notes testing identified the following:

- No documentation was located to support the one credit note that had been issued for the financial period.
- A customer was overcharged by \$5 for the hire of the Shire bus (when compared to the Fees and Charges Schedule).
- There was no supporting documentation located to support the use of the JD Grader Hire on 11 September 2018, specifically there were no details on number of hours etc.
- A sundry debtor form does not appear to be utilised when raising an invoice in Ozone.

Status 2020

Our inquiries in relation to rate debtors identified that the Shire is still not actively following up the outstanding balances, specifically after the 35 days have passed for payment to be made, nothing further happens.

In addition, our sundry debtor testing identified the following:

- Hourly rate charged to a customer were not disclosed in the FY2019/2020 Fees and Charges Schedule for the tipper truck or septic tank.
- A customer was overcharged by \$5 for the hire of the Shire bus (when compared to the Fees and Charges Schedule).
- A sundry debtor form does not appear to be utilised when raising an invoice in Ozone.

Status 2021

While improvements were noted in relation to controls pertaining to sundry debtors for FY2020/2021, our sundry debtor testing identified that a sundry debtor form does not appear to be utilised when raising an invoice in Ozone.

Rating: Moderate (2019: Moderate, 2020 Moderate)

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

Implication

Risk of Shire being unable to provide evidence to support sundry debtor transactions.

Recommendation

Consideration to be given to the Shire utilising a sundry debtor form for all sundry debtor invoices raised in Ozone.

Management comment

The Shire will implement a policy that all sundry debtor invoices raised be accompanied by a sundry debtor form.

Responsible officer:

Finance/Corporate Services Officer

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****15. Rates Notices****Finding 2019**

Whilst conducting our rates testing, we identified the following exceptions:

- Interim rate notices are not issued throughout the year by the Shire when Landgate updates the property valuation and in some instances we identified that the property value had not been updated in Ozone to reflect the updated valuation.
- The Shire was unable to provide an explanation to why the rate notice issued for assessment number 600 did not calculate correctly, with the property owner only having to pay \$37.53, whilst our calculations identified that the property owner was liable to pay \$337.53.
- The Officer was unable to locate the Valuer General Report to support the GRV in the 2018/19 rate notices.

Status 2020

Whilst conducting our rates testing, we identified that the Shire had not issued final rate notices for the FY2019/2020 communicating with the rate payers that funds remained outstanding.

Status 2021

Whilst conducting our rates testing, we identified the following exceptions:

- Interim rate notices are not issued throughout the year by the Shire when Landgate updates the property valuation on a timely basis.
- The Shire had not issued final rate notices for the FY2020/2021 communicating with the rate payers that funds remained outstanding.

Rating: Moderate (2019: Moderate, 2020: Moderate)

Implication

With the Shire not issuing interim or final notices, there is risk of funds not being collected in a timely manner.

Recommendation

We recommend that interim rate notices are raised in a timely manner when Landgate updates the property valuation and that final notices are issued as a reminder that funds are outstanding.

Management comment

There is no mandated settlement process for rates when a mining tenement changes hands and companies/holders going into administration or ceasing operation are extremely difficult and costly to recover costs from. Reform is needed in this area as there are too many loopholes for transferring debt to unsuspecting individuals.

Mining tenements are the majority of the Shires rate base and frequent changes to holders, tenement deaths, revaluations are enacted as soon as possible. A backlog was created during 2022/23 due to the go live process of the Shires new financial system. The Shire maintains low outstanding rate amounts and has been extremely forgiving through Covid by freezing penalty interest and 0% rate increases. Interim and back rates are now being regularly supplied as a result of our financial system change and final notices are being sent out, however we still attempt to contact ratepayers by letter or phone to discuss their situation.

Responsible officer:

Rates Officer

Completion date:

30 June 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****16. High annual leave accrual at year end****Finding 2019**

We identified three instances where employees have annual leave accrued balances in excess of 304 hours (eight weeks) each.

In addition, we identified that annual leave taken by an outside employee during the year was not supported by an approved annual leave form.

Status 2020

Our testing identified three instances where employees have annual leave accrued balances in excess of 304 hours (eight weeks) each.

In addition, we identified that annual leave taken by three employees during the year was not supported by an approved annual leave form.

Status 2021

Our testing identified four instances where employees have annual leave accrued balances in excess of 350 hours (representing seven weeks for outside employees and nine weeks for inside employees) each.

Rating: Moderate (2019: Moderate, 2020: Moderate)**Implication**

Excessive accrued annual leave balances increases the risk of an adverse impact through excessive liabilities and may also indicate over-reliance on key individuals. It is important for staff to take regular leave for their health and wellbeing, and to develop staff to perform the tasks of others. Fraud can also be more easily concealed by staff who do not take leave.

Recommendation

The Shire should continue to manage and monitor the excessive annual leave balances to reduce the liability, risk of business interruption and potential fraud.

Management comment

The Shire of Yalgoo does have an over reliance on staff. Housing is the first hurdle in attracting qualified staff to the area and is compounded when temporary staff is required. While the Shire covers shortfalls of state government agencies in housing it is difficult to improve our own accommodation resources.

Sick days and short periods of annual leave or RDOs cannot be covered by drive in drive out staff due to distances and skill shortages. The Shire will continue to investigate ways to incentivise staff to use their accrued leave and appropriately cover their tasks during their absence.

Responsible officer:

CEO

Completion date:

Ongoing

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****17. Non-Compliance with Section 5.55A of the Local Government Act 1995****Finding 2019**

As required by Section 5.55A of the *Local Government Act 1995*, the Chief Executive Officer (the "CEO") is to publish the annual report on the local government's official website within 14 days after the report has been accepted by the local government. We noted that the Shire's annual report was accepted by the local government on 31 January 2019, however the annual report was not published on the website until 18 February 2019.

Status 2020

We noted that the Shire's annual report was accepted by the local government on 31 January 2020 (Annual Electors meeting held on 28 February 2020), however the annual report was not published on the website until 28 May 2020.

Status 2021

We noted that the Shire's 30 June 2020 annual report was accepted by the local government on 13 April 2022, however the annual report has not been published on the Shire's website as at the date of this report.

Rating: Moderate (2019: Moderate, 2020: Moderate)**Implication**

Non-compliance with Section 5.55A of the *Local Government Act 1995*.

Recommendation

We recommend, in accordance with Section 5.55A of the *Local Government Act 1995*, the CEO publish the annual report on the local government's official website within 14 days after the report has been accepted.

Management comment

While the Shire may have inadvertently not placed a separate copy in the section labelled annual reports, the Agenda and Minutes of the Meeting held on the 13th April 2022 contain the full annual report. The full annual report has therefore been published on the website within the required timeframe. A notice on the website at the time directed individuals to where it could be viewed along with a response to the Minister on audit findings.

<https://www.yalgoo.wa.gov.au/documents/738/2022-04-special-council-meeting-minutes-and-attachments>

Responsible officer:

CEO

Completion date:

6 April 2023

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021****FINDINGS IDENTIFIED DURING THE AUDIT****18. Non-compliance with Local Government (Financial Management) Regulations 1996****Finding 2019**

As required by:

- Regulation 51(2) of the Local Government (Financial Management) Regulations 1996 (“Regulations”), a copy of the annual financial report of a local government is to be submitted to the Departmental CEO within 30 days of the receipt by the local government’s CEO of the auditor’s report on that financial report. We noted at the time of the interim audit, the Shire was unable to provide evidence that the annual financial report had been sent to the Departmental CEO resulting in the annual financial report being submitted to the Departmental CEO on 8 May 2019.
- Regulation 56(4) of the Regulations, the following information is to accompany or be included in the rate notice:
 - a) a brief statement of the objects and reasons for:
 - i) any differential rates imposed by the local government under section 6.33; and
 - ii) any differential minimum payments imposed by the local government under section 6.35(6)(c);

We noted that the Shire’s rate notices and accompanying information for the year ended 30 June 2019 did not include such brief statements.

Status 2020

As required by:

- Regulation 51(2) of the Regulations, a copy of the annual financial report of a local government was not submitted to the Departmental CEO within 30 days of receipt by the local government’s CEO of the auditor’s report on that financial report. The signed audit report contained within the 2018/2019 annual financial report was dated 31 January 2020 and the annual financial report was not submitted to the Departmental CEO until 25 March 2020.
- Regulation 18 of the Regulations, states a Local Government is not required to give local public notice of a proposed change of use of money in a reserve account –
 - a) Where the money is to be used to meet expenditure authorised by the mayor or president under section 6.8(1)(c); or
 - b) Where the total amount to be used does not exceed \$5,000 in a financial year.

Status 2021

As required by:

- Regulation 51(2) of the Regulations, a copy of the annual financial report of a local government was not submitted to the Departmental CEO within 30 days of the receipt by the local government’s CEO of the auditor’s report on that financial report. The signed audit report contained within the 2019/2020 annual financial report was dated 3 March 2022 and the annual financial report was not submitted to the Departmental CEO until 14 April 2022.

Rating: Moderate (2019: Significant, 2020: Significant)

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE AUDIT

Implication

- Non-compliance with Regulation 51(2) of the Regulations

Recommendation

We recommend, in accordance with Regulation 51(2) of the Regulations, a copy of the annual financial report of a local government is submitted to the Departmental CEO within 30 days of the receipt by the local government's CEO of the auditor's report on that financial report.

Management comment

This process could quite easily be carried out by the OAG at the same time that the auditors report and Annual Financial Report is released to the local government and Minister for Local Government. The Shire is able to confirm through correspondence that all documents required by the Department during the 2019/20 audit process were sent no later than the 14/4/2022.

As the Department of Local Government is altering the Smart Hub submission portal the Shire is unable to confirm an earlier submission date. Future copies will be provided to the Departmental CEO within the required timeframe.

Responsible officer:

CEO

Completion date:

6 April 2023