

SHIRE OF TAMMIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Current year issues			
1. Rates and Emergency Service Levy reconciliations		✓	
2. Bank reconciliations			✓
3. Risk Management Policy		✓	
4. Annual Budget		✓	
Issues outstanding from prior year			
5. Common log-in and password for the cash register		✓	
6. Lack of investment register, procedures and outdated investment policy		✓	
7. Lack of key policies and procedures		✓	
8. No IT security policy		✓	
9. No Asset Disposal Forms		✓	

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, 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 TAMMIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Rates and Emergency Services Levy Reconciliations

Finding

We did not find any evidence of the review of the rates and Emergency Service Levy (ESL) reconciliations for the months of February and March 2022.

Rating: Moderate

Implication

Reconciliations are a key control for ensuring financial data is completely and accurately reflected in the general ledger from which financial statements are derived. The absence of an independent and documented independent review of the reconciliations can result in errors or omissions remaining undetected, leading to misstatements in the financial statements.

Recommendation

The rates and ESL reconciliations should be independently reviewed, and the evidence of the review be documented.

Management Comment

Whilst the rates and ESL reconciliations were completed, they missed being reviewed on a couple of occasions. Changes have been made to end of month procedures to ensure this oversight does not happen again.

Responsible Person: Manager of Finance and Administration

Completion Date: 1 June 2022

SHIRE OF TAMMIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Bank Reconciliations

Finding

We noted that monthly bank reconciliations for the Muni and Muni Max bank accounts in respect of the months of October and November 2021 and February 2022 have not been dated by the reviewer.

Rating: Minor

Implication

In the absence of the date of review, it is not possible to ascertain if the reconciliations have been reviewed in a timely manner and delays in the review process of the reconciliations can result in errors or omissions not being detected early.

Recommendation

The date of bank reconciliation review should be documented.

Management Comment

Bank Reconciliations will be signed upon review by Management going forward.

Responsible Person:

Manager Finance and Administration

Completion Date:

1 June 2022

SHIRE OF TAMMIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Risk Management Policy

Finding

We noted that the Shire's Risk Management Policy has not been reviewed and updated since June 2018.

Rating: Moderate

Implication

Financial and operational risks may not be dealt with properly if the policy is outdated.

Recommendation

The Shire should review and update the Risk Management Policy periodically to ensure the policy identifies current risks and measures needed to be taken to mitigate such risks.

Management Comment

The Risk Management Policy has been reviewed and the amended policy was adopted by Council at its 22 June 2022 Ordinary Council Meeting.

Responsible Person: Chief Executive Officer

Completion Date: 22 June 2022

SHIRE OF TAMMIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

4. Annual Budget

Finding

We noted that the Shire has not sent a copy of the Annual Budget to the Department of Local Government, Sport and Cultural Industries (DLGSCI) within 30 days of adoption as required by regulation 33 of the Local Government (Financial Management) Regulations 1996.

Rating: Moderate

Implication

Non-compliance with Regulation 33 of the Local Government (Financial Management) Regulations 1996.

Recommendation

Being a regulatory requirement, the Shire should send a copy of the Annual Budget to the DLGSCI within 30 days of adoption.

Management Comment

An oversight following the adoption of budget at the 30 June 2021 Special Council Meeting. This has been added to the compliance calendar to ensure this step is completed each year.

Responsible Person: Manager of Finance and Administration

Completion Date: 1 June 2022

SHIRE OF TAMMIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

5. Common log-in and password for the cash register

Status in 2022

We note that this issue has not been resolved as of date.

Finding in 2021

We noted all operators of the front counter cash register use the same password although the Shire's Cash Handling Policy requires a unique log in and password for each operator.

Rating: Moderate

Implication

Allowing all operators to use the same log in and password impacts accountability and increases the risk of unauthorised or fraudulent transactions occurring.

Recommendation

Management should ensure that each operator adheres to the requirements of the Cash Handling Policy.

Management Comment

After investigation with IT company and other Shires it is not practical to have multiple batches open throughout the day, this gives more room for error and increases the complexity of the bank reconciliations. Transactions include the officer initials and is considered sufficient. It is industry practise to operate the front counter in this manner and it is managements' opinion that this should not be an audit finding.

Responsible Person: Manager Finance and Administration

Completion Date: 1 June 2022

SHIRE OF TAMMIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

6. Lack of investment register, procedures and outdated investment policy

Status in 2022

The Shire has since adopted an updated Investment Policy and established an Investment Register. However, it still does not have a formal internal control procedure to be followed by employees.

Finding in 2021

We noted that the Shire does not have a formally established and documented internal control procedures for:

- the placement of investments (i.e. recording of interest quotes from banks, confirmation and authorisation of deals and so on)
- the rollover of investments
- the redemption of investments
- the receipt of income

Current practice of the investments of surplus funds at the Shire appears to be at the discretion of the officers responsible for this function. Regulation 19(1) of the Local Government (Financial Management) Regulations 1996 requires a local government to establish and document internal control procedures to be followed by employees to ensure control over investments.

We also noted that the Shire does not maintain an Investment register as required by the Investment policy. The investment policy however, has not been reviewed since November 2014.

Rating: Moderate

Implication

In the absence of formally established and documented internal control procedures, there is an increased risk of inefficient investment of surplus funds. Such practice is also non-compliant with Regulation 19 (1) of the Local Government (Financial Management) Regulations.

Also, lack of an investment register and updated investment policy may pose difficulty in management monitoring the movements in investments and make decisions that are in the best interest of the Shire.

Recommendation

The Shire should establish and document internal control procedures that should be followed by employees to ensure control over investments, in accordance with Regulation 19(1) of the Local Government (Financial Management) Regulations. Also, an investment register should be established, and the investment policy be reviewed in a timely manner.

SHIRE OF TAMMIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Management Comment

The Investment policy was adopted by Council at the 27 April 2022 Ordinary Council Meeting. A register has been in place since March 2022; however a procedure still needs to be added to the Formal Procedure Manual.

Responsible Person: Manager Finance and Administration
Completion Date: August 2022

SHIRE OF TAMMIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

7. Lack of key policies and procedures

Status in 2022

The finding has not been addressed as of date.

Finding in 2021

We noted that the Shire does not have comprehensively documented policies, procedures for guidelines for many operational areas. Following are a few key examples:

- Employee recruitment and termination.
- Employee performance appraisal, training and development.
- Management of employee leave entitlements
- Use, authorisation and control over payroll processing.
- Use, authorisation and control over journal entries.

Rating: Moderate

Implication

Without comprehensively documented policies and procedures, there is a risk that current practices followed by employees are not reflective of those desired by Council.

Recommendation

We recommend that management develops and implement comprehensive policies and procedures for the processes noted above. These policies and procedure should also be approved by the Council prior to being implemented.

Management Comment

A Formal Procedure manual is in development following the 2021 audit findings. Officers are required to input procedures relating to their role over time, to be completed by the 2022 audit.

Responsible Person: Manager of Finance and Administration
Completion Date: October 2022

SHIRE OF TAMMIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

8. No IT Security Policy

Status in 2022

The Shire does not have a formal IT Policy as of date.

Finding 2021

We noted that the Shire does not have a formal IT Security Policy.

Rating: Moderate

Implication

In the absence of a formal IT Security Policy, management and users may not be aware of best practice in relation to IT security.

Recommendation

Management should develop a formal IT Security Policy at the earliest and it should be reviewed and updated regularly as changes occur.

Management Comment

An Information and Communication Technology Acceptable Use Policy has been created and was adopted by Council at its 22 June 2022 Ordinary Council Meeting.

Responsible Person: Chief Executive Officer

Completion Date: 22 June 2022

SHIRE OF TAMMIN**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****9. No Asset Disposal Forms****Status in 2022**

The Shire has since developed an asset disposal form. However, out of the 3 disposals we tested, there were no asset disposal forms for two disposals and the disposal form in respect of the other disposal was not approved by the responsible officer.

Finding 2021

We noted that currently there is no process of formally documenting the disposal of assets i.e. *Asset Disposal Form*, and obtaining management's approval prior to disposing individual assets. We however acknowledge that potential disposals are included in the Shire's approved budget.

Rating: Moderate**Implication**

Although potential disposals are reflected in the Shire's approved budget, it is likely that the budgeted sales proceeds may differ from actual. Therefore, such practice could potentially result in the misappropriation of assets and result in a financial loss to the Shire.

Recommendation:

Management should introduce an Asset Disposal/Deletion form to formalise the asset disposals/deletions process, which should also be subject to appropriate authorisation.

Management Comment

A procedure is in place to ensure the asset disposal form is completed and will be included in the formal Procedure Manual.

Responsible Person: Manager Finance and Administration

Completion Date: October 2022