SHIRE OF MORAWA

AUDIT & RISK COMMITTEE MEETING

ATTACHMENTS

Thursday, 11 July 2024

WESTERN AUSTRALIA'S
WILDFLOWER COUNTRY

Agenda Attachments

Shire of Morawa

Audit and Risk Management Committee Meeting

11 July 2024

List of Attachments

Item 10 - Reports from Officers

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Shire of Morawa

Audit & Risk Committee Meeting

11 July 2024

Attachment 1   *10.1a Shire of Morawa Reg 17 Action Items – July 2024 Update*

Item 10.1   **2022-2023 Regulation 17 Actions Update**

Risk Management

System or procedure	Civic Legal Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update Mar 2024	Status Update July 2024
Risk management framework	Ensure the *Project and Event Risk Register* within the *Project Template Spreadsheet* is completed in a timely manner for all projects. Review and continue to develop the *Risk Register*.	The development of a improved risk management framework, risk registers, and risk reporting processes is underway. Project and event risk assessment templates were introduced over the last 12 months and it is expected that it needs to be further embedded in the organisation.	Develop risk framework and supporting registers, as well as monitoring processes.	November 2023 (aligns with CEO KRA)	Register updates still in progress.	Project mamangement and risk review framework is being developed. Reporting within Reliansys will be a focus over the next 6 months.
Risk reporting	Create a formal risk reporting procedure for employees and visitors to the Shire, for risks outside of the work health and safety framework.	It appears as though officers and processes have matured well in terms of WHS practices. Risk reporting for non-employees is likely a much higher maturity level and not a high priority at this stage.	Enhance risk and WHS processes to ensure clear reporting options for non-employees and employees	Jan-26	No Change	No Change
Business Continuity Plan	Draft a new *Business Continuity Plan* or expand the scope of the current *IT Disaster Recovery Plan* to ensure all necessary considerations are addressed.	Business continuity has been more of a undertake than document with things such as Covid, Cyclone etc. being unplanned for. However given the Shire has a well functioning ICT cloud system it allows great flexibility in terms of administrative officer movements. Depot operations need to to be thought about in more detail.	Develop a Shire Business Continuity Plan	Dec-23	Draft in progress.	Plans completed. Currently under review by new manager with ICT oversight.
Addressing incorrect accounting estimates	Draft a written procedure to guide the investigation and correction of incorrect accounting estimates.	The Shire has moved from 1 budget review per year to 3 which has substantially improved the attention paid to estimates etc. Given accounting misstatement is usually minor and timing related would say this is low priority.	Review budget review procedures	Dec-25	No Change	No Change
Dealing with insurance claims and legal litigation	Develop a procedure for dealing with insurance claims, both from the Shire and from third parties.	The Shire is generally guided by LGIS in terms of these processes.	Develop internal guide document supported by LGIS to ensure key staff are aware of processes.	Dec-23	No Change	Draft in progress
Preventing and uncovering misconduct, fraud and theft		Documenting segregations that must be maintained is probably the key requirement.	Document financial segregation of duty requirements.	Mar-24	Synergy security has been brought in house and segregation has been implemented.	Develping an access review policy and process over the next 6 months.
Environmental risk management	Develop environmental management plans for all high-risk sites (e.g. depot, landfill site, airport and orphan landfill sites). It would be prudent to include the small, unregulated sites as well in such plans.	This area was also highlighted as part of end of year audit and will be a focus over the next 12 months.	Develop Environment Management Plans	Dec-23	Rehabilitation plan developed for Jones Lake Landfill	Curently no budget or resources for environmental management plans.
	Review the *Asbestos Policy*, if not already done.	Underway	Complete review of asbestos and other hazardous material processes, policies and registers	Dec-23	LGIS undertaking an Asbestos Review	Review completed. Next review due January 2025 and LGIS will be undertaken Asbestos Awareness training with relevant staff in the next 6 months.
Work health & safety (**WHS**) procedures	Develop an overarching program or procedural document which captures the various WHS practices undertaken by the Shire.	Over the last 12-18 months the Shire has significantly enhanced its WHS processes. Much of the time has been spent undertaking tasks. It is agreed that now is a good time for relection, documentation, and consolidation so all processes are clear. Majority of WHS related policies need to be Executive Policies with a overarching Council commitment to good practice.	Review WHS Council Policies and Develop Executive Policies	Dec-23	Draft WHS Framework developed. With CEO for review.	CEO & Coordinator People, Culture and Safety looking at the subset policies and procedures. Constantly evolving document.

Area	Recommendation	Context	Action	Date	Status	Comment
Addressing control weaknesses identified by the external auditor	Draft procedure for responding to the auditor and reporting to the Audit Committee (action monitoring and closing out).	These processes should be fairly simple and common sense but having an overarching Exec Policy or Procedure will provide clarity. Not seen as high risk.	Develop Exec Policy or Procedure to meet overarching ARC requirements	Mar-24	No Change	Draft in progress
Procurement Framework	Draft an overarching procedure to guide the entire procurement process. This should make reference to the *Purchasing Policy* and WALGA Procurement Toolkit where appropriate. Ensure all officers with authority to undertake purchases on behalf of the Shire are aware of, and are following, the approved procedure.	Operational level guidance and training is needed. Shire generally has very few people undertaking purchasing so low risk but the processes needs to be better understand by all levels.	Develop Better Practice Purchasing Executive Policy and accompanying procedures Develop and implement basic training when purchasing authorisation is given	Dec-23 Dec-23	Forms and online procurement training implemented.	Development of Better Practice Purchasing Executive Policy and procedures in progress
Use of corporate credit cards	Review the *Corporate Credit Card Policy*, if not already done.	All Council Policies are due for review.	Review all Council Policies	Jun-23	Completed	Looking to development executive policy aligned to OAG better pratcice reports to further enhance Corporate Credit Card Management.
Communicating changes to the Shire's control environment to relevant employees	Conduct a review of all council policies and ensure they are of a strategic focus. Council policies that are operational in nature should be converted to 'executive policies'. Introduce a procedure to standardise how employees are to be informed about changes to the Shire's control environment.	A lot of progress in employee communication and process improvement has been made to date and now is a good time to conduct an overarching review of policies and their relevance at a strategic or operational context.	Review all Council Policies Develop an Executive Policy around SDLT, Staff Meetings and general all of staff communication	Jun-23 Dec-23	In progress - Stage 3 review report to be presented at March 24 OCM. Currently still 27 policies overdue for review. Executive policy around SDLT, Staff Meetings and general all of staff communication approved April 2023. Completed	In progress - Stage 4 review report to be presented at July 24 OCM. Currently still 23 policies overdue for review. Numerous planning policies identified that we are intended to traniston to local Planning policies as opposed to Council policies.
Induction procedures	Draft an operational induction procedure to guide supervisors conducting inductions. Cultural considerations should be considered. Training should be provided to supervisors to reinforce the procedure.	Inductions and onboarding were highlighted as a deficiency in the workforce plan and whilst early work has been on a improved system for onboarding. The next stage will be around improving inductions and a procedure and training around this will be key.	Draft an operational induction procedure to guide supervisors conducting inductions. Cultural considerations should be considered. Training should be provided to supervisors to reinforce the procedure.	Dec-23 Dec-23	In progress - Coordinator People, Culture and Safety recruited in Feb 2024. No Change - to be implemented once the procedure is developed.	In progress - Coordinator People, Culture and Safety still refining the process. No Change - to be implemented once the procedure is developed.
IT management plan and data recovery procedure	Complete the *5 Year ICT Plan*. Ensure that the review of the *IT Disaster Recovery Plan* occurs and is progressed.	Both the ICT Plan and ICT DR planning are well progressed and are expected to be completed shortly.	Complete the 5 Year ICT Plan. Ensure that the review of the IT Disaster Recovery Plan occurs and is progressed.	Jun-23 Jun-23	Completed Completed	Completed Completed

System or procedure	Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update March 2024	Status Update July 2024
Cyber security	Draft written procedures regarding the Shire's cyber security protocols. This is an area of critical importance in the *5 Year ICT Plan* .	The Shire has come a long way over the last 12 months, with staff training, phishing tests, basic policy development, and a new ICT Plan. Documenting more intricate ICT components is needed but is at a higher maturity level and will likely occur in 2024 once a new managed service contract is in place.	Draft written procedures regarding the Shire's cyber security protocols	Jun-24	No Change	Commenced development of an overarching ICT policy that encompasses cyber security.
Emergency evacuation procedures	Ensure evacuation drills are conducted periodically. This may be managed for example, by setting a calendar reminder or including it as a task in the *RelianSys* program.	Evacuations testing has not been a common occurance over the last few years probably due to the low risk work areas.	Ensure at least one evacuation drill is conducted each year.	Dec-23	No Change	No Change
	Consider maintaining an internal checklist or procedure to capture the work of the Environmental Health Officer. This would help to ensure tasks/inspections are undertaken in a regular and timely manner. It would also minimise corporate knowledge loss should the officer leave.	EHO services have been hit and miss over the last few years with the arrangement with Town of Victoria Park still in its infancy. Current EHO has developed a simple checklist and process.	Document EHO duties and activities to ensure actions are taken in a timely manner and corporate knowledge is maintained.	Dec-23	Working with Private Contractor and Town of Victoria Park to improve documentation and processes	Vic Park EHO resources have been limited. MOU being finalised for Vic Park resource. Engaged a contractor for further EHO support.

Internal Control

System or procedure	Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update March 2024	Status Update July 2024
Delegation register review	Establish a register of delegations from the CEO including all on-delegations.	The Shire has very few on delegations and letters of delegation are provided as required but a full register needs to be established.	Establish a register of delegations from the CEO including all on-delegations.	Jun-23	Completed	Completed
Recording use of delegations	Ensure letters notifying officers of their delegations include details regarding recording requirements.	Most uses of delegation align to statutory documents, planning approvals, or authorisations and as such are recorded as a matter of course. Recording requirements should be covered in the register and will depend on the delegation.	Ensure recording requirements are included in delegation register and letters	Jun-23	Completed	Completed
Policy manual review	Develop a system to ensure policies are reviewed in a timely manner and prioritise those that are overdue (e.g. *Bush Fire Policy* (July 2020)).	The whole Council Policy manual needs a full review as per risk findings. Executive Policies are a fairly new thing for the Shire and establishing as a policy framework helps provide weight to the documents so suggest not changing the name. A review procedure/policy should be developed.	Review Council Policy Manual	Jun-23	In progress - Stage 3 review report to be presented at March 24 OCM. Currently still 27 policies overdue for review.	In progress - Stage 4 review report to be presented at July 24 OCM. Currently still 23 policies overdue for review.
	Develop a written procedure to guide the review process for both council, and executive policies.		Develop a written procedure to guide the review process for both council, and executive policies.	Jun-23	In progress	In progress
Internal audits/reviews	Consider conducting periodic internal reviews (e.g. that the *Tender Register is* completed, the correct number of quotes are secured for purchases, that keys are signed out and back in).	Internal audits are something that will require a higher level of maturity in the organisation. As a sector it tends to be the Band 1 Local Governments looking at Internal Audit due to resource constraints. Potentially the Shire could pick the top 5 risks and see if Town of Victoria Park could develop a testing regime.	Investigate key risk areas for monitoring and discuss interim review requirements	Dec-23	Compliance reviews aligned to CAR process	Compliance reviews aligned to CAR process. Reliansys software is in use to monitor. Movement away from spreadsheets and registers.
Liaising with legal advisors	Review the *Legal Proceedings Policy,* if not already done.	There is a big difference between advice and expenses relating to legal preceedings and pre-emptive or regulatory advice. The Shire has not had a need for advice relating to proceedings but does contact legal support for leasing, contracts, processing related to the Act such as rates recovery, and other areas where it is better to ensure the job is done correctly. Agree an executive policy is needed but not a high priority/risk area.	Review Council Policy Manual	Jun-23	In progress - Stage 3 review report to be presented at March 24 OCM. Currently still 27 policies overdue for review.	In progress - Stage 4 review report to be presented at July 24 OCM. Currently still 23 policies overdue for review.

System or procedure	Suggested actions	CEO Review	Action	Timeframe for Delivery	Status Update March 2024	Status Update July 2024
Liaising with legal advisors	Draft an executive policy for engaging legal advisors.	There is a big difference between advice and expenses relating to legal preceedings and pre-emptive or regulatory advice. The Shire has not had a need for advice relating to proceedings but does contact legal support for leasing, contracts, processing related to the Act such as rates recovery, and other areas where it is better to ensure the job is done correctly. Agree an executive policy is needed but not a high priority/risk area.	Draft an executive policy for engaging legal advisors.	Dec-24	In progress	In progress
Restricting access to physical assets and records	Create a procedure and a control register for hard-copy records/files. This would record staff details, and dates when individual records are accessed, removed, and returned.	The Shire's record keeping system and procedures is in need of review. Inconsistancy driven by high employee turnover and limited local government experience of employees. Record keeping is not well grasped even at bigger Local Governments but it is important that core documents and functions are well managed and recorded. And new employees receive basic training.	Undertake a full record keeping review, develop enhanced procedures, and develop staff training.	Dec-23	To be reviewed	Assigned to consultant for review.
	Ensure there is a formal process/register for recording keys and swipe cards that are allocated to employees.	Keys and facility hire processes are in need of review but generally are low risk and lower priority.	Ensure there is a formal process/register for recording keys and swipe cards that are allocated to employees.	Jun-23	Improved key policy and processes developed	Completed
	Ensure all procedures, including for example, the *Hiring of Facilities/ Equipment Procedure* , are dated and include a review period/date.		Ensure all procedures, including for example, the Hiring of Facilities/ Equipment Procedure, are dated and include a review period/date.	Dec-23	Initial review undertaken	Completed
Electronic records management procedures	Conduct an audit of the Shire's record-keeping systems to ensure that they meet relevant records' management standards, and ensure that all files/data are being appropriately classified and saved in the Shire's IT system.	See record keeping review above	Undertake a full record keeping review, develop enhanced procedures, and develop staff training.	Dec-23	To be reviewed	Assigned to consultant for review.
Updating computer applications and information systems	Ensure regular meetings are conducted with the Shire's IT contractor in accordance with contractual obligations.	With the completion of the ICT Plan the next stage of the ICT review is to develop a new scope of works and go to market for a managed service provider. All of the actions will form part of this new contract.	Undertake new managed service provider scope of works and implement ICT Plan reccomendations.	Dec-23	Draft RFT prepared including clear managed service KPIs	RFT with MCSP for final review.
Authorising changes to data files and systems	Provide staff training to support the rollout of the written procedures. This training should also be included as part of the new staff induction process. Follow-up training should also be offered periodically.	In general staff don't have access to or change data files or systems. They generally change files that are being used for work. ICT identified as a lower priority item.	Use ICT system to control staff access and edit opportunities	Dec-24	No Change	No Change
Comparing physical cash and inventory counts with accounting records.	Ensure all facilities receiving cash have written procedures to support cash handling, reconciliation and delivery to the administration building for receipting/banking.	Exec Policy on cash handling is on the list to be developed. The Shire only handles very small amounts of cash.	Develop Executive Policy for Cash Handling	Dec-23	No Change	No Change
Asset management plan	Complete the *Integrated Asset Management Plan* . Review the *Asset Management Policy* and *Road Management Policy* , if not already done.	Asset Management planning is a key focus of the new EMWA. A comprehensive suite of useable plans will take time but the Shire aims to develop plans for critical items within the next 12 months.	Complete critical asset planning and review associated policies.	Dec-23	Road Maintenance Plan in progress	Draft RMP will be discussed at the July Concept Forum.
Legislative Compliance						
System or procedure	**Suggested actions**	**CEO Review**	**Action**	**Timeframe for Delivery**	**Status Update March 2024**	**Status Update July 2024**

Ensuring compliance with legislation, regulations, industry standards and internal policies	Consider amending the *Service Delivery Leadership Team agenda template* to include 'legislative compliance' as a standing item.	Regulatory and legislative compliance is unlikely to interest most employees and in most circumstances employees will look to the CEO for clear direction in this area. Suggest developing communication document/protocol as opposed to bringing into meetings.	Develop Executive Policy to drive what and how the CEO distributes information across the organisation	Dec-24	No Change	No Change
Reviewing the annual Compliance Audit Return (**CAR**) and reporting the results to council	Draft a procedure for completing the annual CAR. This should include standards expected in regard to, for example, sampling and the provision and recording of evidence.	Agree with suggested action. CEO is generally key driver and reviewer of CAR.	Draft a procedure for completing the annual CAR. This should include standards expected in regard to, for example, sampling and the provision and recording of evidence.	Dec-24	In progress	In progress
Receiving, recording and addressing complaints	Review the *Complaints Management Policy* , if not already done.	Full review of Council Policies is needed.	Review Council Policies	Jun-23	In progress - Stage 3 review report to be presented at March 24 OCM. Currently still 27 policies overdue for review.	In progress - Stage 4 review report to be presented at July 24 OCM. Currently still 23 policies overdue for review.
	Draft a procedure for dealing with internal complaints. This may refer to the WALGA industrial relations guidance documents where appropriate.	Internal Grievance procedure or executive policy is needed.	Draft a procedure for dealing with internal complaints. This may refer to the WALGA industrial relations guidance documents where appropriate.	Jun-24	No Change	In progress
Identifying and managing adverse trends	Amend/draft a new Executive Team agenda template to include 'adverse trends' as a standing item.	The redevelopment and growth of the risk framework should provide a mechanism to identify adverse trends in terms of the risk to the Shire.	Finalise risk framework and associated registers and processes.	Dec-23	Completed	Completed
Ensuring the Audit Committee understands and complies with all relevant requirements	Review the *Audit Committee Terms of Reference* .		Review the Audit Committee Terms of Reference.	Oct-23	Completed	Completed
	Reduce the membership of the Audit Committee to ensure differentiation between the Audit Committee and the council.		Reduce the membership of the Audit Committee to ensure differentiation between the Audit Committee and the council.	Oct-23	Completed	Completed
	Consider advertising for a suitably qualified or experienced independent member to join the Audit Committee.	Agree with all actions. Some items are being driven by LG Reform.	Consider advertising for a suitably qualified or experienced independent member to join the Audit Committee.	Oct-23	In progress	CEO has been given authority to advertise. Have yet to commence process.
	Consider amending the title of the 'Audit Committee' to the 'Audit and Risk Committee'. If this is done, amend the functions specified in the committee's *Terms of Reference* .		Consider amending the title of the 'Audit Committee' to the 'Audit and Risk Committee'. If this is done, amend the functions specified in the committee's Terms of Reference.	Oct-23	Completed	Completed
	Ensure all councillors complete their mandatory training and annual financial returns in a timely manner.		Ensure all councillors complete their mandatory training and annual financial returns in a timely manner.	Oct-23	In progress	In progress
Reviewing local laws	Ensure automated reminders to conduct local law reviews are programmed into the *RelianSys* . Note that reviewing local laws is often a time-consuming process. Therefore, the initial reminders should be sent at least a year before the review deadline.	Local Laws will be incorporated within Reliansys if they aren't already.	Ensure Local Law reviews are scheduled in Reliansys	Jun-23	Completed	Completed

Shire of Morawa

Audit & Risk Committee Meeting

11 July 2024

Attachment 1   *10.2a Financial Management Review Status Report Update*

Item 10.2   **Financial Management Review 2022 – Status Report Update**

SHIRE OF MORAWA – STATUS REPORT – FINANCIAL MANAGEMENT REVIEW 2022

Monitoring Activities (MA):

Risk area	Monitoring activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
Receipting	Statements of accounts receivable are sent to customers enabling review. (Exception 1)		We noted no evidence of statements for accounts receivable being sent to customers prior to January 2022.	Development and Implementation of an Accounts Receivable Executive Policy & Procedure	EMCCS & Debtors Officer (DO)	Dec-22	Instructions have been given to responsible officer to ensure that statements are sent out monthly. Copies of all statements will be saved electronically. The Executive Policy – Accounts receivable has been adopted.	May-22
Fixed Assets	Management regularly reviews valuation of fixed assets (i.e. methodology and useful lives of assets) to ensure that assets' valuation is appropriate and in accordance with Australian Accounting Standards. (Exception 2)		Unable to obtain evidence of management's review of fixed assets (methodology & Useful lives).	Development and implementation of year end procedures that ensure asset depreciation rates and useful lives are reviewed and evidence retained.	EMCCS & CCSO	Jun-23	The Policy " Recognition and Depreciation of Assets" was adopted by Council on 21 March 2024 Resolution No: 240310	Mar-24
	Management reviews depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable. (Exception 2)		Unable to obtain evidence of management's review of depreciation rates and methodology.		EMCCS & CCSO	Jun-23	Depreciation rates have been reviewed as part of the budget process and the revaluation of assets.	Jun-23
	Fixed asset register to the general ledger reconciliation is prepared and reviewed routinely. (Exception 3)		From the review it was noted that the last time the fixed asset register had been reconciled to the general ledger was June 2021.	Development and implementation of month end procedures that encompass all reconciliations required to be done.	EMCCS & CCSO	Jun-23	Monthly financial report template has been updated to include asset reconciliation.	Mar-22

Key control (KC) activities

Risk area	Monitoring activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
Revenue	Monthly statements are issued to trade debtors. (Exception 1)		We noted no evidence of statements for accounts receivable being sent to customers prior to January 2022.	Development and Implementation of an Accounts Receivable Executive Policy & Procedure	EMCCS & DO	Dec-22	Instructions have been given to responsible officer to ensure that statements are sent out monthly. Copies of all statements will be saved electronically. The Executive Policy – Accounts receivable has been adopted.	Nov-22
	Rates are raised in line with the approved budgeted rate in the dollar. (Exception 4)		We noted that the rate in the dollar in Note 1 of the Budget was displayed to 5 decimal places where in the Council Resolution it was to 6 decimal places.	Ensure that the rounding is to the same decimal place on all documents	EMCCS	Jun-22	Budget Template has been checked to ensure the decimal points are the same in all documents	Jun-22
Revenue	Documented procedures are in place to ensure the VGO is informed of any building works approved. (Exception 5)		The Shire does not have documented procedures to ensure the VGO is informed of any building works approved.	Ensure that a procedure is written and followed when a permit is issued and is reportable	EMCCS & Rates Officer	Jun-24	This procedure has been compelted and will take effect immediately.	Jun-24
	The rates ledger is reconciled to the General Ledger. (Exception 6)		On review of the monthly rates reconciliation, it was found that a hard copy of the general ledger balance was not saved with the reconciliation so the reported balance could not be verified.	Ensure that a copy of the General Ledger balances is included as part of the reconciliation.	EMCCS & Rates Officer	Mar-22	This process has already been implemented.	Feb-22
	Credit note approvals are independent accounts receivable (Exception 7)		We noted that; 1) There is no formal process for the raising and approval of credit notes; and 2) Credit notes are raised by the accounts receivable officer	Development and Implementation of an Accounts Receivable Executive Policy & Procedure	EMCCS & ARO	Jun-23	Credit note form has been developed with appropriate authorisations required. The Executive Policy – Accounts receivable has been adopted. The document has been distributed to the relevant staff members.	Mar-22

Category	Control	Status	Finding	Management Action	Responsible	Due	Update	Completed
Receivables / Receipting	Bank reconciliation is prepared monthly (with statements from bank) and management approval documented. (Exception 8)	*(yellow)*	3 accounts linked to term deposits did not have a monthly bank reconciliation prepared. These accounts have the interest earned on the investments receipted to them and it is then transferred to the Reserve Telenet account. As the 3 accounts were not reconciled the interest deposited into the accounts were not receipted into Synergy.	Management will move to have the 3 accounts closed and all interest earnings to be paid directly into the Telenet Account, which is reconciled monthly, and the interest allocated across the reserves.	EMCCS	Mar-22	Bank has been contacted to determine why the request for interest not to be deposited into these 3 accounts was deactivated. 2 of the 3 bank accounts linked to the term deposits have been closed. Due to the structure of the Reserve accounts it was necessary to keep one open for the interest to be deposited.	May-22
Receivables / Receipting	Customers are informed (signs, etc.) that they should obtain receipts. (Exception 9)	*(green)*	From the review of receipting, there was no evidence that customers are informed that they should obtain receipts.	A sign will be placed at the front counter telling customers that they should obtain a receipt and a procedure will be implemented that ensures that email or over the phone transactions are sent a copy of the receipt.	EMCCS & CSO	May-22	Signs have been installed. Procedure has been updated to include the requirement to provide a copy of the receipt to the customer either in person, by email or in the post.	May-22
	When opening mail, cheques are stamped "for deposit only" with the local government bank account number. Cheques received are listed, totalled and reviewed before deposit. (Exception 10)	*(green)*	The Shire does not maintain a cheque register evidencing that cheques have been stamped "for deposit only" with the Shires bank details, and that the cheques are listed, totalled and reviewed before deposit.	Management will ensure that all cheques received by mail are recorded in a cheque register.	EMCCS & CSO	Jun-22	This process has been reinstated and is included in the Front Counter procedures.	Apr-22
	A reconciliation of aged receivables to control accounts is prepared monthly and management approval documented. (Exception 11)	*(yellow)*	On review of 2 monthly aged receivables reconciliations, we noted 1 instance where the reconciliation had no evidence of management approval.	Development and Implementation of an Accounts Receivable Executive Policy & Procedure	EMCCS & ARO	Dec-22	The Executive Policy – Accounts receivable has been completed and adopted.The policy has been distributed to the relevant staff members.	Nov-22
	Significant overdue customer accounts are investigated by management and actions taken documented. (Exception 12)	*(yellow)*	On review it was noted that there were significantly overdue customers' accounts and credit balances on others.	Development and Implementation of an Accounts Receivable Executive Policy & Procedure	EMCCS & Debtors Officer	Dec-22	In January a review was carried out and reviewed by EMCCS on all overdue customers and actions taken. Customer accounts in credit were due to rental properties not having the monthly invoices raised against the income received. A report was tabled at Council to write off some overdue debts and implemented in April 2022. The Executive Policy – Accounts receivable has been adopted.	Apr-22

Receivables/ Receipting	A list of preferred suppliers is maintained and used where possible. (Exception 13)		On review of corporate credit cards, it was noted that one employee did not have a Corporate Credit Card Holder Agreement. A later appointed employee did have an agreement.	A Corporate Credit Card Holder Agreement should be issued to all employees that are to hold a credit card for Shire purchases	EMCCS	Feb-22	The employee has since signed the implemented Corporate Credit Card Holder Agreement.	Feb-22
	Unit prices on invoices received are checked against price lists, quotes or approved purchase orders. Invoices are checked for correct calculations, discounts, taxes and freight before payment (Exception 14)		From the sample of 23, we noted 6 instances where the invoice did not reconcile to the purchased order. These related to: 1) Purchase order raised for the amount of a rejected quote 2) Multiyear service contracts did not reflect the escalation inn pricing; and 3) GST Incorrectly	Implement the Draft Accounts Payable Executive Policy and Procedure.	EMCCS	Apr-22	The Executive Policy and Procedure have been completed and approved by the CEO. The documents have been distributed to staff.	Jun-22
	Suppliers' statements are reconciled to accounts payable monthly and reviewed by management. (Exception 15)		Review of accounts payable found that supplier statements are not reconciled against accounts monthly and reviewed by management.	Management are happy with the current controls it has in place and believes there is no benefit to carrying out this time consuming process.	EMCCS	Feb-22	No Action to be taken	Feb-22

Risk Matrix

Controls in place satisfactory	Minor	Moderate	Significant

Shire of Morawa

Audit & Risk Committee Meeting

11 July 2024

Attachment 1   *10.3a Interim Management Letter*

Item 10.3   **2023-2024 Interim Audit**

SHIRE OF MORAWA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	**Moderate**	**Minor**	
1. Recognition of licensing revenue	No	✓			NA
2. Revenue recognition	No		✓		NA
3. Supplier masterfile changes	No		✓		NA
4. Grant revenue - GST	No			✓	NA

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 opinion, 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 MORAWA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Recognition of licensing revenue

Finding

The Shire acts as an agent for the Department of Transport (DOT) to collect motor vehicle licensing fee, which is paid back to DOT after deducting the Shire's commission.

We however noted that as at 31 March 2024, the Shire has recorded the amount of fee collected as revenue ($202,585) and payments to DOT as expenses ($191,869) as opposed to only recognising the commission ($4,438) as revenue.

As an agent, the Shire should only recognise the commission as revenue to be consistent with the requirements of Australian Accounting Standards *AASB 15(B36)*. Similar analysis for prior year (comparative figures) are outlined below:

	30 June 2023	Licensing Fee Receipts and Payments	Restated 30 June 2023
Other Revenue	$ 880,208	$315,502	$ 564,705
Other Expenses	$ 473,132	$308,544	$ 164,588
Net Surplus for the year	$2,077,726	$ 6,958	$2,070,768

Rating: Significant

Implication

Other Revenue and Other Expenditure have been overstated for the current and prior financial years.

Recommendation

The Shire should make necessary adjustment to report correct figures in the financial statements for the year ending 30 June 2024.

Management comment

It is managements understanding that the Shire used to undertake the management of Department of Transport funds using a liability control account as described. This was in place until 2008/2009 and changed for the 2009/2010 financial year, discussions with members of Council who were present during that period suggest the change was driven by previous auditors.

As such, whilst the Shire is willing to again change its practices to comply with auditor requirements, we do not believe this is a significant finding. The impact on the Shire's net position will be immaterial, and although income and expenses may appear higher the net effect is the same as using a control account when the balance of income and expense is brought in as income.

The Shire will change the practice for the end of financial year, but believes this is more of a Moderate finding than significant.

Responsible person: Executive Manager Corporate and Community Services
Completion date: 30 September 2024

SHIRE OF MORAWA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Revenue recognition

Finding

We note that capital grant revenue had not been recognised in accordance with the Australian Accounting Standards *AASB 1058* and *AASB 15* as at 31 March 2024.

The Shire recognises the capital grants as income upon receipt and reports it as income in the statement of financial activity, which is presented to the Council every month. Its only at the year end management applies the accounting standards to identify contract liabilities from the income recognised to ensure accuracy of the annual financial report.

In accordance with *Local Government (Financial Management) Regulations 1996, Part 2 (5A)* all financial reports of a local government must comply with Australian Accounting Standards, and this also includes Monthly Financial Activity Statements.

Rating: Moderate

Implication

Lack of timely application of the accounting standards could result in grant income being overstated and grant liabilities being understated in the monthly statement of financial activity to the Council.

Recommendation

For the monthly statement of financial activity that is presented to the Council, we recommend that management ensure grant income and grant liabilities are presented appropriately and in line with the requirements of the revenue accounting standards.

Management comment

The majority of Shire grants are expended in full during the financial year, and most grants are received in stages or expended within a 3-6 month period.

Management recognises that the changes to accounting standards over the last few years requires a modified revenue management process, however it is inefficient to transfer funds in and out of a liability account monthly. Management understands that this may mean that Monthly Statements aren't in complete alignment to AASBs and will discuss the impact of the misstatement with Council and the materiality compared to the practicalities of implementation given resource constraints.

Management initially proposes an enhancement to the budget review process to ensure at this stage the grant income is moved to a liability account if necessary, thus it isn't just once a year.

Responsible person: Executive Manager Corporate and Community Services
Completion date: 31 March 2025

SHIRE OF MORAWA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Supplier masterfile changes

Finding

We found no evidence of independent review of system change logs in the supplier masterfile system. The Shire does have adequate internal controls in place in relation to verification of supplier information before payments are made.

Rating: Moderate

Implication

Without this review there is a risk that unauthorised changes could be made to supplier information and the errors or omissions are not identified before processing payments.

Recommendation

We recommend that management implements an independent review of the system changes on the *Audit Trail Report* on a regular basis.

Management comment

The management team checks changes made to the supplier Masterfile based on forms presented during creditor onboarding or detail change requests, and cross references these against the system when changes are made, and as noted thorough controls are in place to again check details before a payment is made. The EFTsure process checks bank details before payments are made, adding a further control to the process.

Management accepts that changes to contact details or other master file areas could occur and not be picked up during a payment process and that the system change log (Audit Trail) should be reviewed periodically to confirm that no unauthorised or unexpected changes have occurred. This Audit Trail review will be implemented on a monthly basis from the start of the 24/25 financial year.

Responsible person: Executive Manager Corporate and Community Services
Completion date: 31 July 2024

SHIRE OF MORAWA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

4. Grant revenue - GST

Finding
We note three instances where GST on grant revenue received were not recorded correctly and resulted in a net error of revenue being overstated by $28,015 and GST Liability understated by $28,015.

Rating: Minor

Implication
Management has not applied the correct GST application to all grants relating more GST being declared to the ATO than what was required to be declared.

Recommendation
We recommend that GST on grant revenue be corrected, and a process implemented going forward to ensure that grant revenue is recorded correctly.

Management comment
The Shire's finance system establishes general ledger accounts with a GST coding attached. These errors were caused by grants being placed in ledger accounts with a GST coding that did not match the grant. Most of these accounts pre-date management and the account coding would not be something that officers would pick up when processing transactions.

Management plans to establish a more simplified grant receival process with either GST free or GST applied accounts, and then use sub-accounts to align the income to the specific area or project.

Management accepts that this process does need tidying up but is sure that the misallocation would have been picked up during year end processes. The specific error raised in this finding was rectified before receipt of this Interim Audit Letter, and the ATO updates have already been completed.

Responsible person: Executive Manager Corporate and Community Services
Completion date: 31 July 2024