



**SHIRE OF MORAWA**

**AUDIT & RISK COMMITTEE MEETING**

**ATTACHMENTS**

**Thursday, 10 March 2022**



# Agenda Attachments

Shire of Morawa

Audit and Risk Committee Meeting

10 March 2021

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## List of Attachments

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**10.1 Financial Management Review 2022**

*Attachment 1* – Financial Management Review 2022

*Attachment 2* – Financial Management Review Status Report

**10.2 2021 Compliance Audit Return**

*Attachment 1* – 10.2 Compliance Audit Return 2021

**10.3 Report on Significant Matter raised in Annual Financial Report Audit Opinion**

*Attachment 1* – 10.1 Report on Significant Matter (Section 7.12A(4a) of the Local Government Act 1995)

# Shire of Morawa



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## Audit & Risk Committee Meeting

**10 March 2022**

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**Attachment 1      Financial Management Review 2022**

**Attachment 2      Financial Management Review  
Status Report**

**Item 10.1            Financial Management Review 2022**

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**RSM Australia Pty Ltd**

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25 February 2022

Mr Scott Wildgoose  
Chief Executive Officer  
Shire of Morawa  
PO Box 14  
Morawa WA 6623

Dear Mr Wildgoose

**Report of Factual Findings**

**1 The objective and scope of the engagement**

We have performed the procedures agreed with you to report factual findings for the purpose of assisting you in determining the appropriateness and effectiveness of the financial management systems and procedures in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*. The procedures performed are detailed in the engagement letter of 2 February 2022 and described below with respect to the Shire of Morawa (**Shire**) for the period 1 July 2021 to 31 January 2022.

**2 The Chief Executive Officer's responsibility for the procedures agreed**

As the Chief Executive Officer (**CEO**), you are responsible for the adequacy or otherwise of the procedures agreed to be performed by us. You are responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the subject matter.

**3 Assurance practitioner's responsibility**

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We conducted the engagement in accordance with Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*. We have complied with ethical requirements equivalent to those applicable to Other Assurance Engagements, including independence.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with AUASB standards, we do not express any conclusion and provide no assurance on the appropriateness and effectiveness of the financial management systems and procedures in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

**4 Procedures performed.**

We have performed the following procedures, which are the minimum level of monitoring activities and key control activities listed in Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3 issued by the Department of Local Government, Sport and Cultural Industries in September 2012 and report to you the factual findings resulting from our work:

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The procedures applied in order to satisfy ourselves with the findings, on a sample basis, were as follows:

- Inspection;
- Observation;
- External confirmation;
- Re-calculation;
- Re-performance; and
- Enquiry.

## 5 Factual findings:

### 5.1 Monitoring activities

Risk area	Monitoring activities to be verified	Source	Sample Size	Error or Exceptions noted
<b>Annual Budget</b>	Monthly actuals are compared to budget and significant variances fully investigated and explained	Monthly statement of financial activity	2	No exceptions noted
<b>Financial reporting</b>	Through the presentation of the Monthly Statement of Financial Activity ( <b>SFA</b> ) to council actual results are compared to budget each month; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
<b>Grants</b>	a) Management regularly reviews all grant income and monitors compliance with both the terms of grants and council's grant policy (including claiming funds on a timely basis).	Monthly statement of financial activity	2	No exceptions noted
	b) Through the SFA, grant revenue is compared to budget; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
<b>Receipting</b>	a) Income is compared to budget regularly in the SFA; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
	b) Statements of accounts receivable are sent to customers enabling review.	Statements	2	<b>Exception noted. Refer to Exception 1</b>
<b>Rates</b>	a) Management reviews rates ageing profile on a monthly basis and investigates any outstanding items.	Monthly statement of financial activity	2	No exceptions noted

Risk area	Monitoring activities to be verified	Source	Sample Size	Error or Exceptions noted
	b) Actual rate revenue is compared to budget; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
	c) Annual valuation update is balanced prior to the generation of rates; this is reconciled to the rate record and reviewed.	Valuation reconciliation	1	No exceptions noted
	d) Interim valuation updates are balanced prior to the generation of the interim rates; this is reconciled to the rate record and reviewed.	Valuation reconciliation	1	No exceptions noted
<b>Receivables</b>	a) Receivables and revenue are compared to budget monthly; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
	b) Management reviews provision for doubtful debts on a regular basis.	Monthly statement of financial activity	2	No exceptions noted
	c) Management reviews debtors ageing profile on a monthly basis and investigates any outstanding items.	Monthly statement of financial activity	2	No exceptions noted
	d) Trade receivables age listing reconciliation to the general ledger is reviewed at least monthly.	Reconciliation	2	No exceptions noted
<b>Bank accounts and banking</b>	a) Management reviews journal transactions to the bank account.	Bank reconciliations	2	No exceptions noted
	b) Management reviews bank reconciliations monthly to confirm large outstanding items are adequately explained and subsequently resolved.	Bank reconciliations	2	No exceptions noted
<b>Investments</b>	a) Review the council investment performance regularly.	Monthly statement of financial activity	2	No exceptions noted
	b) Actual investment income compared to budget on a regular basis; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted

Risk area	Monitoring activities to be verified	Source	Sample Size	Error or Exceptions noted
	c) Investments register maintained in accordance with regulations and investment policy.	Investment register	2	No exceptions noted
	d) Reconciliation of investment register to general ledger routinely prepared and reviewed.	Investment register reconciliation	2	No exceptions noted
<b>Payroll</b>	a) Management reviews employee costs against budget on a monthly basis and investigates any outstanding items.	Monthly statement of financial activity	2	No exceptions noted
	b) Each departmental manager performs a regular review of reports detailing all employees listed on payroll master file; all unusual items are investigated.	Employee master file reports	2	No exceptions noted
	c) Salary and hourly payroll reports (including compensation and withholding information) are reviewed and approved by management before payments are approved.	Payroll reports	3	No exceptions noted
	d) The payroll deduction table data is periodically reviewed by management for accuracy and ongoing pertinence.	Payroll reports	3	No exceptions noted
	e) Management reviews a selection of salary sacrifice calculations for accuracy and compliance with statutory requirements; identified errors are promptly corrected.	Payroll reports	3	No exceptions noted
	f) Each pay run is reviewed prior to authorisation for payment for consistency with prior pay runs and for abnormal items such as overtime.	Payroll reports	3	No exceptions noted
<b>Purchasing, procurement and payments</b>	a) Actual expenditure is compared to budget monthly; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted

Risk area	Monitoring activities to be verified	Source	Sample Size	Error or Exceptions noted
	b) A list of all payments is prepared and presented monthly to the council; management reviews, investigates and explains any unusual or large payments.	Accounts and statement of accounts report presented to Council	2	No exceptions noted
	c) Management reviews supporting documentation before approving payments.	Payment listings	3	No exceptions noted
<b>Trade payables</b>	a) Management reviews trade payables ageing profile on a monthly basis and investigates any outstanding items.	Monthly statement of financial activity	2	No exceptions noted
	b) Trade payables age reconciliation to the general ledger is reviewed at least monthly.	Trade payables age reconciliation	2	No exceptions noted
<b>Fixed Assets</b>	a) Management compare actual fixed asset balance to budget; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
	b) Activity recorded in fixed asset register is reviewed by management, including comparison to the capital budget.	Asset register	2	No exceptions noted
	c) 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.	Revaluation reports	1	<b>Exception noted. Refer to Exception 2</b>
	d) Management reviews depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable.	Asset register	1	<b>Exception noted. Refer to Exception 2</b>
	e) Fixed asset register to the general ledger reconciliation is prepared and reviewed routinely.	Fixed asset register reconciliation	1	<b>Exception noted. Refer to Exception 3</b>



Risk area	Monitoring activities to be verified	Source	Sample Size	Error or Exceptions noted
<b>Borrowings</b>	Borrowings actual and interest charges are compared to budget monthly; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
<b>Journals</b>	All journals are independently reviewed (including check to ensure correct account allocation) and contain sufficient support information.	Journal listing	1	No exceptions noted
<b>General IT Risks</b>	Regular IT audits performed focusing on data accuracy, retention, recovery and security. Results of these IT Audits reviewed by management and action plan promptly implemented.	IT audit reports	1	No exceptions noted

## 5.2 Key control activities

Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
<b>Financial Report Preparation</b>	a) Employees responsible for financial report preparation are competent and adequately trained.	HR records	1	No exceptions noted
	b) All journal entries require supporting documentation. Any non-routine entries require documented approval prior to being posted.	Journal support	1	No exceptions noted
	c) Accounting software used contains application controls that prevent or detect an error from occurring.	Synergy application controls	1	No exceptions noted
<b>Payroll</b>	a) Payroll staff are competent for their assigned tasks, adequately trained and supervised.	HR records	1	No exceptions noted
	b) Persons processing payroll are independent of other payroll functions, such as hiring/firing of staff, timekeeping and EFT payment.	Payroll walkthrough	1	No exceptions noted
	c) Approval in writing is obtained before adding new employees to payroll.	Evidence of approval	1	No exceptions noted

Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	d) Signed and dated approval of each employee's pay rate is documented on employee file.	Evidence of approval	1	No exceptions noted
	e) Timesheets and totals of hours worked are approved before being processed for payment	Timesheets	3	No exceptions noted
	f) Procedures exist to ensure terminated employees are immediately removed from payroll.	Terminations	2	No exceptions noted
	g) Payroll register is reconciled to the general ledger and reviewed by a senior officer independent of payroll.	Payroll register reconciliation	3	No exceptions noted
	h) Costs by sub program, are compared to budget.	Payroll reports	3	No exceptions noted
	i) Staff required to take their leave entitlements annually.	Leave balances report	2	No exceptions noted
<b>Revenue</b>	a) Rates/debtors officers are competent for their assigned tasks, adequately trained and supervised.	HR records	1	No exceptions noted
	b) Monthly statements are issued to trade debtors.	Monthly statements	2	<b>Exception noted. Refer to Exception 1</b>
	c) Rates are raised in line with the approved budgeted rate in the dollar.	Rates notices	1	<b>Exception noted. Refer to Exception 4</b>
	d) The rate record is updated and reconciled monthly to the Valuer Generals Office (VGO) records.	Rates reconciliation	2	No exceptions noted
	e) Documented procedures are in place to ensure the VGO is informed of any building works approved.	Rates walkthrough	1	<b>Exception noted. Refer to Exception 5</b>
	f) The rates ledger is reconciled to the General ledger.	Rates reconciliations	1	<b>Exception noted. Refer to Exception 6</b>
	g) The approved schedule of Fees and Charges is used for invoice preparation. Exceptions require documentation and approval	Receipts sample	5	No exceptions noted

Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	h) Automatic or manual checks are performed on serial continuity of invoice documents.	Synergy system controls	1	No exceptions noted
	i) Credit note approvals are independent of accounts receivable.	Credit notes	3	<b>Exception noted. Refer to Exception 7</b>
<b>Receivables / Receipting</b>	a) Staff handling cash receipts and managing receivables are competent for their assigned tasks, adequately trained and supervised.	HR records	1	No exceptions noted
	b) Bank reconciliation is prepared monthly (with statements from bank) and management approval documented.	Bank reconciliations	2	<b>Exception noted. Refer to Exception 8</b>
	c) Customers are informed (signs, etc.) that they should obtain receipts.	Observation	1	<b>Exception noted. Refer to Exception 9</b>
	d) Pre-numbered cash receipts are issued for every cash sale. Serial continuity is reviewed periodically and checked against cash deposits data.	Cash receipts sequence	1	No exceptions noted
	e) 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.	Cash deposit batches	3	<b>Exception noted. Refer to Exception 10</b>
	f) All receipts cash/cheques are deposited on a regular and timely basis.	Cash deposit batches	3	No exceptions noted
	g) Reconciliation of daily deposit total to receivable posting and cash sales is prepared and reviewed.	Daily deposit reconciliations	3	No exceptions noted
	h) A reconciliation of aged receivables to control accounts is prepared monthly and management approval documented.	Aged receivables reconciliation	2	<b>Exception noted. Refer to Exception 11</b>
	i) Procedures exist to ensure receipts are recorded in the correct period.	Receipts walkthrough	1	No exceptions noted

Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	j) Significant overdue customer accounts are investigated by management and actions taken documented.	Client prepared documentation	1	<b>Exception noted. Refer to Exception 12</b>
<b>Purchases, payables, payments</b>	a) Personnel responsible for the purchasing, shipping, receiving and payable functions are competent, adequately trained and supervised.	HR records	1	No exceptions noted
	b) Management reviews outstanding cheques on period-end bank reconciliation.	Bank reconciliations	2	No exceptions noted
	c) Pre-numbered cheques are used EFT's are allocated a sequential number for each creditor payment and details for every number is documented. Spoiled cheques are clearly marked "VOID" and cancelled.	Cheques and EFT batches	3	No exceptions noted
	d) The purchasing policy clearly defines who can issue purchase requisitions/orders and to what dollar limit.	Purchasing policy	1	No exceptions noted
	e) Access to purchasing, receiving, accounts payable, and inventory records is restricted to authorised personnel.	Synergy controls	1	No exceptions noted
	f) Spending limits are set by budget or individual levels of authority. These limits are monitored by the system or manually.	Synergy controls	1	No exceptions noted
	g) A list of preferred suppliers is maintained and used where possible.	Client prepared documentation	1	No exceptions noted
	h) Controls exist to ensure corporate buying cards/credit cards are only issued to authorised staff and personal purchases are not allowed.	Credit card policy	1	<b>Exception noted. Refer to Exception 13</b>
	i) Pre-numbered purchase orders and receiving reports are used and exceptions are approved and documented.	Purchase order sequence	1	No exceptions noted

Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	j) Period-end procedures exist to detect and account for unprocessed goods/service receipts.	Client prepared documentation	1	No exceptions noted
	k) Personnel receiving goods do not perform any accounting functions.	Purchases walkthrough	1	No exceptions noted
	l) An aged accounts payable listing is reconciled to general ledger each month and exceptions investigated by management.	Aged accounts payable reconciliation	2	No exceptions noted
	m) Aged report of open orders is reviewed each month and old/unusual items are investigated.	Aged report of open orders	3	No exceptions noted
	n) 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	Client prepared documentation	23	<b>Exception noted. Refer to Exception 14</b>
	o) System has checks to prevent duplicate payments on same order.	Synergy controls	2	No exceptions noted
	p) A list of accounts for payments is prepared in line with the legislation and authorised by council or a person with delegated authority before cheques are signed or EFT is authorised.	Accounts and statement of accounts report presented to Council	5	No exceptions noted
	q) Signing officers examine supporting documentation to payments and document approval.	Payment batch documentation	1	No exceptions noted
	r) All cheques must be made out to authorised vendors and cannot be made out to "cash".	Cheque butts	2	No exceptions noted
	s) A reconciliation of the accounts payable sub ledger to the general ledger is prepared monthly and approved by management.	Accounts payable sub ledger reconciliation	2	No exceptions noted
t) Suppliers' statements are reconciled to accounts payable monthly and reviewed by management.	Supplier statements reconciliations	1	<b>Exception noted. Refer to Exception 15</b>	

Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	u) Procedures exist to ensure payments are recorded in the correct period.	Purchases walkthrough	1	No exceptions noted
	v) Procedures exist to ensure all bank accounts and signatories are authorised by council.	Cash cycle documentation	1	No exceptions noted
	w) The accounting policy for when goods should be capitalised is documented and clearly understood by accounting personnel.	Accounting policy, capital purchases	1	No exceptions noted
	x) Management regularly compares actual purchases (costs and expenses) to budgeted purchases and investigates and documents variances.	Monthly statement of financial activity	2	No exceptions noted
	y) Management follows up creditor queries on a timely basis.	Aged creditor listing	2	No exceptions noted
	z) Management addresses the reasons for debit balance creditor accounts on a timely basis.	Aged creditor listing	2	No exceptions noted

## 6 Recommendations

Although the primary purpose of our engagement was to enable us to issue the above described report, we also provide you with recommendations in Appendix A for strengthening controls, if such matters are observed during the process of the engagement. While issues raised may not represent deficiencies in the appropriateness and effectiveness of the financial management systems and procedures, our recommendations will address areas where we believe controls could be improved.

## 7 Restriction on distribution and use of report

This report is intended solely for the use of the Shire for the purpose set out above. As the intended user of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ASRS 4400, distribution of this report is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results). Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than the Shire for any consequences of reliance on this report for any purpose.

RSM AUSTRALIA PTY LTD

A handwritten signature in blue ink, appearing to read 'T Bate', with a stylized flourish at the end.

Geraldton, WA  
Dated: 25 February 2022

T BATE  
Principal

**SHIRE OF MORAWA****FINANCIAL MANAGEMENT REVIEW****SEVEN MONTHS ENDED 31 JANUARY 2022****FINDINGS IDENTIFIED DURING THE REVIEW**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1 - Statements of accounts receivable should be sent to customers enabling review. - Monthly Statements should be issued to trade debtors		✓	
2 - Management should regularly review 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. - Management should review depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable.		✓	
3 The fixed asset register should be reconciled to the general ledger and reviewed routinely.		✓	
4 Rates raised should be in line with the approved budgeted rate in the dollar.			✓
5 The Shire should have documented procedures to ensure the Valuer Generals Office is informed of any building works.			✓
6 The rates ledger should be reconciled to the general ledger.		✓	
7 Credit note approvals should be independent of accounts receivable.		✓	
8 Bank reconciliations should be prepared monthly (with statements from bank) and management approval documented.		✓	
9 Customers should be informed (signs, etc) that they should obtain receipts.			✓
10 When opening mail, cheques should be stamped "for deposit only" with the local government bank account number. Cheques should be listed, totalled and reviewed before deposit.			✓



**SHIRE OF MORAWA**  
**FINANCIAL MANAGEMENT REVIEW**  
**SEVEN MONTHS ENDED 31 JANUARY 2022**  
**FINDINGS IDENTIFIED DURING THE REVIEW**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
11 Reconciliation of aged receivables to control accounts should be prepared monthly and management approval documented.		✓	
12 Significant overdue customer accounts should be investigated by management and actions taken documented.		✓	
13 The Shire should have controls to ensure corporate buying cards/credit cards are only issued to authorised staff and personal purchases are not allowed.		✓	
14 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.		✓	
15 Suppliers' statements should be reconciled to accounts payable monthly and reviewed by management.			✓

**SHIRE OF MORAWA****FINANCIAL MANAGEMENT REVIEW****SEVEN MONTHS ENDED 31 JANUARY 2022****FINDINGS IDENTIFIED DURING THE REVIEW****KEY TO RATINGS**

The Ratings in this management letter are based on the 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**  
**FINANCIAL MANAGEMENT REVIEW**  
**SEVEN MONTHS ENDED 31 JANUARY 2022**  
**FINDINGS IDENTIFIED DURING THE REVIEW**

**Exception 1**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*:

1. Statements of accounts receivable should be sent to customers enabling review; and
2. Monthly statements should be issued to trade debtors.

**Finding:**

From our sample of two months, we did not note any evidence of statements of accounts receivable being sent to customers enabling review. We note from January 2022, the Shire has implemented a procedure whereby statements of accounts receivable are sent to customers and this is documented on the aged receivables reconciliation.

**Rating:** Moderate

**Implication:**

Sending statements of accounts receivable to customers enabling review assists in the collection of outstanding balances and reduces the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with regulation 5(2)(a) of the *Local Government (Financial Management) Regulations 1996* which requires the CEO to ensure that the resources of the local government are effectively and efficiently managed.

**Recommendation:**

The Shire should maintain the process implemented from January 2022 whereby statements of accounts receivable are issued to customers and this is documented on the aged receivables reconciliation.

**Management Comment:**

Management agrees and will develop an executive policy and procedure for Accounts Receivable.

**SHIRE OF MORAWA**  
**FINANCIAL MANAGEMENT REVIEW**  
**SEVEN MONTHS ENDED 31 JANUARY 2022**  
**FINDINGS IDENTIFIED DURING THE REVIEW**

**Exception 2**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*:

1. Management should regularly review 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; and
2. Management should review depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable.

**Finding:**

From our review of fixed assets, we were unable to obtain evidence of management's:

1. Review of fixed assets (i.e. methodology and useful lives of assets); or
2. Review of depreciation rates and methodology.

**Rating:** Moderate

**Implication:**

Review of fixed assets (i.e. methodology and useful lives of assets) and review of depreciation rates and methodology reduces the risk of misstatements in the Shire's financial reporting.

**Recommendation:**

The Shire should document and retain evidence of its:

1. Review of fixed assets (i.e. methodology and useful lives of assets); or
2. Review of depreciation rates and methodology.

**Management Comment:**

Management will develop and implement year end procedures that ensure asset depreciation rates and useful lives are reviewed and evidence of the review retained.

**SHIRE OF MORAWA**  
**FINANCIAL MANAGEMENT REVIEW**  
**SEVEN MONTHS ENDED 31 JANUARY 2022**  
**FINDINGS IDENTIFIED DURING THE REVIEW**

**Exception 3**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, the fixed asset register should be reconciled to the general ledger and reviewed routinely.

**Finding:**

From our review of fixed assets, we noted that the last time the fixed asset register had been reconciled to the general ledger was 30 June 2021. We note that the asset register was yet to be rolled forward due to the 2021 audit still taking place and that current year capital expenditure had been reported to Council in the monthly statement of financial activity.

**Rating:** Moderate

**Implication:**

Routinely reconciling the fixed asset register to the general ledger reduces the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with regulation 5(2)(a) of the *Local Government (Financial Management) Regulations 1996* which requires the CEO to ensure that the resources of the local government are effectively and efficiently managed.

**Recommendation:**

The Shire should routinely reconcile the fixed asset register to the general ledger. Even where the asset register is not able to be updated, general ledger balances should be reviewed to ensure they represent valid reconciling items.

**Management Comment:**

Management will develop and implement month end procedures that encompass all reconciliations required to be done.

**SHIRE OF MORAWA**  
**FINANCIAL MANAGEMENT REVIEW**  
**SEVEN MONTHS ENDED 31 JANUARY 2022**  
**FINDINGS IDENTIFIED DURING THE REVIEW**

**Exception 4**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, Rates raised should be in line with the approved budgeted rate in the dollar.

**Finding:**

From our review of rates, we noted that the rate in the dollar in Note 1 of the 2022 Budget for the respective rating categories was displayed to five decimal places, where the rate in the dollar per the council resolution to adopt the budget was to six decimal places. We note that rates were raised in accordance with the Council Resolution and further that the rate in the dollar in Note 1 of the 2022 Budget was entered to six decimal places.

**Rating:** Minor

**Implication:**

The rate in the dollar for the respective rating categories as displayed in Note 1 of the 2022 Budget differs to the adopted rate in the dollar per the Council Resolution.

**Recommendation:**

For future Budgets, management should ensure that the rate in the dollar for the respective rating categories presented in the Budget matches the Council Resolution.

**Management Comment:**

Management agrees with this and will ensure that the rounding is to the same decimal places on all documents.

**SHIRE OF MORAWA**  
**FINANCIAL MANAGEMENT REVIEW**  
**SEVEN MONTHS ENDED 31 JANUARY 2022**  
**FINDINGS IDENTIFIED DURING THE REVIEW**

**Exception 5**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, the Shire should have documented procedures to ensure the Valuer Generals Office (VGO) is informed of any building works approved.

**Finding:**

From our review of rating procedures, the Shire does not have documented procedures to ensure the VGO is informed of any building works approved.

**Rating:** Minor

**Implication:**

Approved building works could impact the rateable value of properties. Where the VGO is not notified of approved building works, this could result in the rateable value of a property being understated and in turn result in rates being undercharged.

**Recommendation:**

The Shire should implement documented procedures to ensure the VGO is informed of any building works approved.

**Management Comment:**

Management will ensure that a procedure is written and followed when a permit is issued if it is reportable.

**SHIRE OF MORAWA**  
**FINANCIAL MANAGEMENT REVIEW**  
**SEVEN MONTHS ENDED 31 JANUARY 2022**  
**FINDINGS IDENTIFIED DURING THE REVIEW**

**Exception 6**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, the rates ledger should be reconciled to the general ledger.

**Finding:**

From our review of one monthly rates ledger reconciliation, we noted that general ledger balances used in the reconciliation were obtained from Synergysoft via excel integration. A hard copy of the general ledger balance at the date of the reconciliation was not saved with the reconciliation. We were unable to agree the reconciled balance at the date of the reconciliation to the general ledger at the date of our fieldwork.

**Rating:** Moderate

**Implication:**

We were unable to verify that the rates ledger had been correctly reconciled to the general ledger. Reconciling the rates ledger to the general ledger reduces the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with regulation 5(2)(a) of the *Local Government (Financial Management) Regulations 1996* which requires the CEO to ensure that the resources of the local government are effectively and efficiently managed.

**Recommendation:**

Due to the nature of the Synergysoft rating module, it is possible for transactions to be entered in Synergysoft which alter the general ledger balance compared to the reconciliation. The Shire should therefore save an extract of the general ledger balance at the date of the rates ledger reconciliation as evidence of the reconciled balance.

**Management Comment:**

Management will ensure that a copy of the GL is taken and included with the reconciliation so that the balances can be proven at a future time.



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**Exception 7**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, credit note approvals should be independent of accounts receivable.

**Finding:**

From our review of credit notes, we noted that:

1. The Shire does not have a formal process for raising and approval of credit notes and for two of three credit notes tested (67%) there was no evidence of approval of the credit note; and
2. Credit notes are raised by the accounts receivable officer.

**Rating:** Moderate

**Implication:**

The lack of formal process for the raising of credit notes and the ability for the accounts receivable officer to raise credit notes increases the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with regulation 5(2)(a) of the *Local Government (Financial Management) Regulations 1996* which requires the CEO to ensure that the resources of the local government are effectively and efficiently managed.

**Recommendation:**

The Shire should develop a formal process for the raising and approval of credit notes.

**Management Comment:**

Management will develop and implement an Accounts Receivable Executive Policy and procedure to incorporate the request for a credit note. A form will be developed to assist with this procedure.

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**Exception 8**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, Bank reconciliations should be prepared monthly (with statements from bank) and management approval documented.

**Finding:**

From our review of bank reconciliations, we noted:

1. Three accounts where monthly bank reconciliations were not prepared. These three accounts receive interest from Term Deposits upon maturity which is then manually transferred to a cash management account. These accounts are not recorded in the Synergy chart of accounts; and
2. The December 2021 reconciliation for the Telenet Saver: General Reserve account excluded interest earned on this account for the month.

**Rating:** Moderate

**Implication:**

1. Unreconciled and unrecorded bank accounts increase the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with regulation 5(2)(a) of the *Local Government (Financial Management) Regulations 1996* which requires the CEO to ensure that the resources of the local government are effectively and efficiently managed.
2. If transaction listings are saved rather than bank statements, there is a risk that errors from previous periods could remain undetected during the reconciliation process.

**Recommendation:**

1. Reconciliations should be prepared for all bank accounts on at least a monthly basis.
2. All bank accounts should be recorded in Synergy. As the three accounts identified above are only used to receive interest from term deposits, we would recommend closing these accounts and directing interest on term deposits to be paid directly to the Telenet Saver account.

**Management Comment:**

Management agrees with the 3 accounts not being reconciled and will move at getting them closed and the interest that is deposited into them be redirected to the single reserve account that is reconciled monthly.

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**Exception 9**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, customers should be informed (signs, etc) that they should obtain receipts.

**Finding:**

From our review of receipting, we did not note evidence that customers are informed (signs, etc) that they should obtain receipts.

**Rating:** Minor

**Implication:**

Issuing receipts to customers reduces the risk of fraud, errors and omissions relating to receipts from customers remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting.

**Recommendation:**

The Shire should implement procedures (signs, etc) to inform customers that they should obtain receipts.

**Management Comment:**

Management will place a sign telling customers to obtain a receipt and implement a procedure to ensure that any payments received by email or phone will be sent a copy of a receipt via email.

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**Exception 10**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, when opening mail, cheques should be stamped “for deposit only” with the local government bank account number. Cheques should be listed, totalled and reviewed before deposit.

**Finding:**

Whilst a limited number of cheques are received, the Shire does not maintain a cheque register evidencing that cheques have been stamped “for deposit only” with the Shire’s bank account number or that cheques are listed, totalled and reviewed before deposit.

**Rating:** Minor

**Implication:**

Maintaining a cheque register evidencing that cheques have been stamped “for deposit only” with the Shire’s bank account number, and that cheques received have been listed, totalled and reviewed, reduces the risk of fraud, errors and omissions relating to receipts from customers remaining undetected, which in turn could lead to misstatements in the Shire’s financial reporting.

**Recommendation:**

The Shire should maintain a cheque register as outlined above.

**Management Comment:**

Management agree that a cheque register should be kept for cheques received in the mail.

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**Exception 11**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, reconciliation of aged receivables to control accounts should be prepared monthly and management approval documented.

**Finding:**

From our review of two monthly aged receivables reconciliations, we noted one instance (50%) where the reconciliation had no evidence of management approval documented.

**Rating:** Moderate

**Implication:**

Documented management approval of the monthly reconciliation of aged receivables to control accounts reduces the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with regulation 5(2)(a) of the *Local Government (Financial Management) Regulations 1996* which requires the CEO to ensure that the resources of the local government are effectively and efficiently managed.

**Recommendation:**

The Shire should ensure that monthly reconciliations of aged receivables to control accounts have management approval documented.

**Management Comment:**

Management reviewed the reconciliations from July to January and found no other reconciliation that had not been signed. The reconciliation that was not signed had been checked by the EMCCS but was not signed. This process will be included in the Accounts Receivable Policy & Procedure that management has agreed to develop and implement.

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**Exception 12**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, significant overdue customer accounts should be investigated by management and actions taken documented.

**Finding:**

From our review of two monthly reconciliations of aged receivables to control accounts, we noted significantly overdue customer accounts and credit balances without any evidence of investigation by management and actions taken. We note from January 2022, the Shire has implemented a procedure whereby significantly overdue customer accounts are investigated by management and actions taken documented. There has also been a corresponding decrease in significantly overdue customer accounts and credit balances at 31 January 2022.

**Rating:** Moderate

**Implication:**

Investigating significant overdue customer accounts and documentation of actions taken reduces the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with regulation 5(2)(a) of the *Local Government (Financial Management) Regulations 1996* which requires the CEO to ensure that the resources of the local government are effectively and efficiently managed.

**Recommendation:**

The Shire should maintain the process implemented from January 2022 whereby significant overdue customer accounts are investigated by management and actions taken are documented.

**Management Comment:**

Management agrees to continue with the new process implemented but would like to note that the credit balances were for all Council's rental properties that are receipted as the money is received but invoices are raised monthly. The credit balances during October – December were exacerbated due to staff shortage and have since been rectified.

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**Exception 13**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, the Shire should have controls to ensure corporate buying cards/credit cards are only issued to authorised staff and personal purchases are not allowed.

**Finding:**

From our review of corporate credit cards, it was noted that one employee did not have a Corporate Credit Card Holder Agreement. We note that the Shire has since implemented a Corporate Credit Card Holder Agreement for a later appointed employee.

**Rating:** Moderate

**Implication:**

The lack of a signed Corporate Credit Card Holder agreement increases the risk of corporate credit cards being used outside of policy, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with regulation 5(2)(a) of the *Local Government (Financial Management) Regulations 1996* which requires the CEO to ensure that the resources of the local government are effectively and efficiently managed.

**Recommendation:**

A Corporate Credit Card Holder Agreement should be issued to and signed by the employee identified above.

**Management Comment:**

Management agrees. The document has since been completed and signed by the employee.

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**Exception 14**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, 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.

**Finding:**

From our sample of twenty-three, we noted six instances (26%) where the invoice did not reconcile to the purchase order. For the noted exceptions, these related to:

1. Purchase orders raised for the amount of rejected quotes (rather than the approved quote);
2. Multiyear service contracts where the purchase order did not correctly reflect the escalation in pricing; and
3. GST incorrectly accounted for on purchase orders.

**Rating:** Moderate

**Implication:**

Reconciliation of invoices to purchase orders ensures that errors are identified and only correct amounts are paid.

**Recommendation:**

Invoices should be reconciled to purchase orders prior to approval for payment. Where variances between the purchase order and invoice are identified, these should be investigated and explained.

**Management Comment:**

Management agrees and has since implemented an Accounts Payable Executive Policy and procedure but would like to note the following:

The Shire has historically allowed a discrepancy of 10% between the purchase order and the invoice which covers any errors in the handling of GST or minor increases in product value.

1. Management agree that a purchase order should never be raised for the amount of a rejected quote rather than the approved quote.
2. This was a minor amount only and would have been covered by the 10% variation.
3. Non-financial staff that raise purchase orders for others to sign find it difficult to understand GST and how it applies to orders. Those staff signing the orders should ensure that the amounts are correct prior to signing. More training will be provided to staff on how to raise orders.



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**Exception 15**

**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, suppliers' statements should be reconciled to accounts payable monthly and reviewed by management.

**Finding:**

From our review of accounts payable, we noted that suppliers' statements are not reconciled to accounts payable monthly and reviewed by management.

**Rating:** Minor

**Implication:**

Reconciling suppliers' statements to accounts payable reduces the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting.

**Recommendation:**

The Shire should consider reconciling suppliers' statements to accounts payable monthly or if current controls are considered adequate.

**Management Comment:**

Management are happy with the current controls it has in place and believes there is no benefit to carrying out this time consuming process.



# 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
Annual Budget	Monthly actuals are compared to budget and significant variances fully investigated and explained		NIL					
Financial reporting	Through the presentation of the Monthly Statement of Financial Activity (SFA) to council actual results are compared to budget each month; management reviews, investigates and explains significant variances		NIL					
Grants	Management regularly reviews all grant income and monitors compliance with both the terms of grants and council's grant policy (including claiming funds on a timely basis).		NIL					
	Through the SFA grant revenue is compared to budget; management reviews, investigates and explains significant variances.		NIL					
Receipting	Income is compared to budget regularly in the SFA; management reviews, investigates and explains significant variances.		NIL					
	Statements of accounts receivable are sent to customers enabling review. <b>(Exception 1)</b>		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 & ARO	December 2022	Instructions have been given to responsible officer to ensure that statements are sent out monthly.	
Rates	Management reviews rates ageing profile on a monthly basis and investigates any outstanding items.		NIL					
	Actual rate revenue is compared to budget; management reviews, investigates and explains significant variances.		NIL					
	Annual valuation update is balanced prior to the generation of rates; this is reconciled to the rate record and reviewed.		NIL					
	Interim valuation updates are balanced prior to the generation of the interim rates; this is reconciled to the rate record and reviewed.		NIL					
Receivables	Receivables and revenue are compared to budget monthly; management reviews, investigates and explains significant variances.		NIL					



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Risk area	Monitoring activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
	Management reviews provision for doubtful debts on a regular basis.		NIL					
	Management reviews debtors ageing profile on a monthly basis and investigates any outstanding items.		NIL					
	Trade receivables age listing reconciliation to the general ledger is reviewed at least monthly.		NIL					
<b>Bank accounts and banking</b>	Management reviews journal transactions to the bank account.		NIL					
	Management reviews bank reconciliations monthly to confirm large outstanding items are adequately explained and subsequently resolved.		NIL					
<b>Investments</b>	Review the council investment performance regularly.		NIL					
	Actual investment income compared to budget on a regular basis; management reviews, investigates and explains significant variances.		NIL					
	Investments register maintained in accordance with regulations and investment policy.		NIL					
	Reconciliation of investment register to general ledger routinely prepared and reviewed.		NIL					
<b>Payroll</b>	Management reviews employee costs against budget on a monthly basis and investigates any outstanding items.		NIL					
	Management reviews employee costs against budget on a monthly basis and investigates any outstanding items.		NIL					
	Salary and hourly payroll reports (including compensation and withholding information) are reviewed and approved by management before payments are approved.		NIL					
	The payroll deduction table data is periodically reviewed by management for accuracy and ongoing pertinence.		NIL					
	Management reviews a selection of salary sacrifice calculations for accuracy and compliance with statutory requirements; identified errors are promptly corrected.		NIL					



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Risk area	Monitoring activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
	Each pay run is reviewed prior to authorisation for payment for consistency with prior pay runs and for abnormal items such as overtime.		NIL					
<b>Purchasing, procurement and payments</b>	Actual expenditure is compared to budget monthly; management reviews, investigates and explains significant variances.		NIL					
	A list of all payments is prepared and presented monthly to the council; management reviews, investigates and explains any unusual or large payments.		NIL					
	Management reviews supporting documentation before approving payments.		NIL					
<b>Trade payables</b>	Management reviews trade payables ageing profile on a monthly basis and investigates any outstanding items.		NIL					
	Trade payables age reconciliation to the general ledger is reviewed at least monthly.		NIL					
<b>Fixed Assets</b>	Management compare actual fixed asset balance to budget; management reviews, investigates and explains significant variances.		NIL					
	Activity recorded in fixed asset register is reviewed by management, including comparison to the capital budget.		NIL					
	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. <b>(Exception 2)</b>		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	June 2022		
	Management reviews depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable. <b>(Exception 2)</b>		Unable to obtain evidence of management's review of depreciation rates and methodology.		EMCCS & CCSO	June 2022		
	Fixed asset register to the general ledger reconciliation is prepared and reviewed routinely. <b>(Exception 3)</b>		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	June 2023	Monthly financial report template has been updated to include asset reconciliation.	
<b>Borrowings</b>	Borrowings actual and interest charges are compared to budget monthly;		NIL					



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Risk area	Monitoring activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
	management reviews, investigates and explains significant variances.							
<b>Journals</b>	All journals are independently reviewed (including check to ensure correct account allocation) and contain sufficient support information.		NIL					
<b>General IT Risks</b>	Regular IT audits performed focusing on data accuracy, retention, recovery and security. Results of these IT Audits reviewed by management and action plan promptly implemented.		NIL					

### Key control (KC) activities

Risk area	Key control activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
<b>Financial Report Preparation</b>	Employees responsible for financial report preparation are competent and adequately trained.		NIL					
	All journal entries require supporting documentation. Any non-routine entries require documented approval prior to being posted.		NIL					
	Accounting software used contains application controls that prevent or detect an error from occurring.		NIL					
<b>Payroll</b>	Payroll staff are competent for their assigned tasks, adequately trained and supervised.		NIL					
	Payroll staff are competent for their assigned tasks, adequately trained and supervised.		NIL					
	Approval in writing is obtained before adding new employees to payroll.		NIL					
	Signed and dated approval of each employee's pay rate is documented on employee file.		NIL					
	Timesheets and totals of hours worked are approved before being processed for payment		NIL					
	Procedures exist to ensure terminated employees are immediately removed from payroll.		NIL					



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Risk area	Key control activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
	Payroll register is reconciled to the general ledger and reviewed by a senior officer independent of payroll.		NIL					
	Costs by sub program, are compared to budget.		NIL					
	Staff required to take their leave entitlements annually.		NIL					
<b>Revenue</b>	Rates/debtors officers are competent for their assigned tasks, adequately trained and supervised.		NIL					
	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 & ARO	December 2022	Instructions have been given to responsible officer to ensure that statements are sent out monthly.	
	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	June 2022		
	The rate record is updated and reconciled monthly to the Valuer Generals Office (VGO) records.		NIL					
	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	June 2023		
	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	March 2022	This process has already been implemented.	24 Feb 2022
	The rates ledger is reconciled to the General Ledger.		NIL					
	Automatic or manual checks are performed on serial continuity of invoice documents		NIL					
	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	Development and Implementation of an Accounts Receivable Executive Policy & Procedure	EMCCS & ARO	June 2022		



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Risk area	Key control activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed	
			2) Credit notes are raised by the accounts receivable officer						
Receivables/Receipting	Staff handling cash receipts and managing receivables are competent for their assigned tasks, adequately trained and supervised.		NIL						
	Bank reconciliation is prepared monthly (with statements from bank) and management approval documented. (Exception 8)		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	March 2022	Bank has been contacted to determine why the request for interest not to be deposited into these 3 accounts was deactivated.		
	Customers are informed (signs, etc.) that they should obtain receipts. (Exception 9)		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 2022			
	Pre-numbered cash receipts are issued for every cash sale. Serial continuity is reviewed periodically and checked against cash deposits data.		NIL						
	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)			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	June 2022		
	All receipts cash/cheques are deposited on a regular and timely basis.		NIL						
	Reconciliation of daily deposit total to receivable posting and cash sales is prepared and reviewed.		NIL						
	A reconciliation of aged receivables to control accounts is prepared monthly and management approval documented. (Exception 11)			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	December 2022		
	Procedures exist to ensure receipts are recorded in the correct period.		NIL						



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Risk area	Key control activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed	
	Significant overdue customer accounts are investigated by management and actions taken documented. (Exception 12)		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 & ARO	December 2022	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.		
<b>Purchases, payables, Payments</b>	Personnel responsible for the purchasing, shipping, receiving and payable functions are competent, adequately trained and supervised.		NIL						
	Management reviews outstanding cheques on period-end bank reconciliation.		NIL						
	Pre-numbered cheques are used EFT's are allocated a sequential number for each creditor payment and details for every number is documented. Spoiled cheques are clearly marked "VOID" and cancelled.		NIL						
	The purchasing policy clearly defines who can issue purchase requisitions/orders and to what dollar limit.		NIL						
	Access to purchasing, receiving, accounts payable, and inventory records is restricted to authorised personnel.		NIL						
	Spending limits are set by budget or individual levels of authority. These limits are monitored by the system or manually.		NIL						
	A list of preferred suppliers is maintained and used where possible.		NIL						
	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	February 2022	The employee has since signed the implemented Corporate Credit Card Holder Agreement.	February 2022
	Pre-numbered purchase orders and receiving reports are used and exceptions are approved and documented.		NIL						
Period-end procedures exist to detect and account for unprocessed goods/service receipts.		NIL							





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Risk area	Key control activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed	
	Personnel receiving goods do not perform any accounting functions.		NIL						
	Personnel receiving goods do not perform any accounting functions.		NIL						
	Aged report of open orders is reviewed each month and old/unusual items are investigated.		NIL						
	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 <b>(Exception 14)</b>			<p>From the sample of 23, we noted 6 instances where the invoice did not reconcile to the purchased order. These related to:</p> <ol style="list-style-type: none"> <li>1) Purchase order raised for the amount of a rejected quote</li> <li>2) Multiyear service contracts did not reflect the escalation inn pricing; and</li> <li>3) GST Incorrectly accounted for</li> </ol>	Implement the Draft Accounts Payable Executive Policy and Procedure.	EMCCS	April 2022	The procedure has been completed and is ready for review by the CEO. The Policy is yet to be completed.	
	System has checks to prevent duplicate payments on same order.		NIL						
	A list of accounts for payments is prepared in line with the legislation and authorised by council or a person with delegated authority before cheques are signed or EFT is authorised.		NIL						
	Signing officers examine supporting documentation to payments and document approval.		NIL						
	All cheques must be made out to authorised vendors and cannot be made out to "cash".		NIL						
	A reconciliation of the accounts payable sub ledger to the general journal is prepared monthly and approved by management.		NIL						
	Suppliers' statements are reconciled to accounts payable monthly and reviewed by management. <b>(Exception 15)</b>			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	February 2022	No Action to be taken	February 2022
Procedures exist to ensure payments are recorded in the correct period.		NIL							



## SHIRE OF MORAWA – STATUS REPORT – FINANCIAL MANAGEMENT REVIEW 2022

Risk area	Key control activities to be verified	Risk Rating	Issue Identified	Planned Action	Responsible Officer	Timeline	Action to Date	Date Completed
	Procedures exist to ensure all bank accounts and signatories are authorised by council.		NIL					
	The accounting policy for when goods should be capitalised is documented and clearly understood by accounting personnel.		NIL					
	Management regularly compares actual purchases (costs and expenses) to budgeted purchases and investigates and documents variances.		NIL					
	Management follows up creditor queries on a timely basis.		NIL					
	Management addresses the reasons for debit balance creditor accounts on a timely basis.		NIL					

### Risk Matrix

Controls in place satisfactory	Minor	Moderate	Significant

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## Audit & Risk Committee

### Meeting

**10 March 2022**

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**Attachment 1      Compliance Audit Return  
2021**

**Item 10.2            2021 Compliance Audit Return**

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## Morawa - Compliance Audit Return 2021

### Certified Copy of Return

Please submit a signed copy to the Director General of the Department of Local Government, Sport and Cultural Industries together with a copy of the relevant minutes.

<b>Commercial Enterprises by Local Governments</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s3.59(2)(a) F&G Regs 7,9,10	Has the local government prepared a business plan for each major trading undertaking that was not exempt in 2021?	N/A	No major trading undertakings	Scott Wildgoose
2	s3.59(2)(b) F&G Regs 7,8A, 8, 10	Has the local government prepared a business plan for each major land transaction that was not exempt in 2021?	N/A	Nil	Scott Wildgoose
3	s3.59(2)(c) F&G Regs 7,8A, 8,10	Has the local government prepared a business plan before entering into each land transaction that was preparatory to entry into a major land transaction in 2021?	N/A		Scott Wildgoose
4	s3.59(4)	Has the local government complied with public notice and publishing requirements for each proposal to commence a major trading undertaking or enter into a major land transaction or a land transaction that is preparatory to a major land transaction for 2021?	N/A		Scott Wildgoose
5	s3.59(5)	During 2021, did the council resolve to proceed with each major land transaction or trading undertaking by absolute majority?	N/A	Nil occurred	Scott Wildgoose



<b>Delegation of Power/Duty</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s5.16	Were all delegations to committees resolved by absolute majority?	Yes		Scott Wildgoose	
2	s5.16	Were all delegations to committees in writing?	Yes		Scott Wildgoose	
3	s5.17	Were all delegations to committees within the limits specified in section 5.17?	Yes		Scott Wildgoose	
4	s5.18	Were all delegations to committees recorded in a register of delegations?	Yes		Scott Wildgoose	
5	s5.18	Has council reviewed delegations to its committees in the 2020/2021 financial year?	Yes	15/7/2021	Scott Wildgoose	
6	s5.42(1) & s5.43 Admin Reg 18G	Did the powers and duties delegated to the CEO exclude those listed in section 5.43 of the Act?	Yes		Scott Wildgoose	
7	s5.42(1)	Were all delegations to the CEO resolved by an absolute majority?	Yes		Scott Wildgoose	
8	s5.42(2)	Were all delegations to the CEO in writing?	Yes		Scott Wildgoose	
9	s5.44(2)	Were all delegations by the CEO to any employee in writing?	Yes		Scott Wildgoose	
10	s5.16(3)(b) & s5.45(1)(b)	Were all decisions by the council to amend or revoke a delegation made by absolute majority?	N/A		Scott Wildgoose	
11	s5.46(1)	Has the CEO kept a register of all delegations made under Division 4 of the Act to the CEO and to employees?	Yes		Scott Wildgoose	
12	s5.46(2)	Were all delegations made under Division 4 of the Act reviewed by the delegator at least once during the 2020/2021 financial year?	Yes	No changes to Council	Scott Wildgoose	
13	s5.46(3) Admin Reg 19	Did all persons exercising a delegated power or duty under the Act keep, on all occasions, a written record in accordance with Admin Reg 19?	Yes		Scott Wildgoose	

<b>Disclosure of Interest</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s5.67	Where a council member disclosed an interest in a matter and did not have participation approval under sections 5.68 or 5.69, did the council member ensure that they did not remain present to participate in discussion or decision making relating to the matter?	Yes		Scott Wildgoose	



No	Reference	Question	Response	Comments	Respondent
2	s5.68(2) & s5.69 (5) Admin Reg 21A	Were all decisions regarding participation approval, including the extent of participation allowed and, where relevant, the information required by Admin Reg 21A, recorded in the minutes of the relevant council or committee meeting?	Yes		Scott Wildgoose
3	s5.73	Were disclosures under section sections 5.65, 5.70 or 5.71A(3) recorded in the minutes of the meeting at which the disclosures were made?	Yes		Scott Wildgoose
4	s5.75 Admin Reg 22, Form 2	Was a primary return in the prescribed form lodged by all relevant persons within three months of their start day?	Yes		Scott Wildgoose
5	s5.76 Admin Reg 23, Form 3	Was an annual return in the prescribed form lodged by all relevant persons by 31 August 2021?	Yes		Scott Wildgoose
6	s5.77	On receipt of a primary or annual return, did the CEO, or the mayor/president, give written acknowledgment of having received the return?	Yes		Scott Wildgoose
7	s5.88(1) & (2)(a)	Did the CEO keep a register of financial interests which contained the returns lodged under sections 5.75 and 5.76?	Yes		Scott Wildgoose
8	s5.88(1) & (2)(b) Admin Reg 28	Did the CEO keep a register of financial interests which contained a record of disclosures made under sections 5.65, 5.70, 5.71 and 5.71A, in the form prescribed in Admin Reg 28?	Yes		Scott Wildgoose
9	s5.88(3)	When a person ceased to be a person required to lodge a return under sections 5.75 and 5.76, did the CEO remove from the register all returns relating to that person?	Yes		Scott Wildgoose
10	s5.88(4)	Have all returns removed from the register in accordance with section 5.88(3) been kept for a period of at least five years after the person who lodged the return(s) ceased to be a person required to lodge a return?	Yes		Scott Wildgoose
11	s5.89A(1), (2) & (3) Admin Reg 28A	Did the CEO keep a register of gifts which contained a record of disclosures made under sections 5.87A and 5.87B, in the form prescribed in Admin Reg 28A?	Yes		Scott Wildgoose
12	s5.89A(5) & (5A)	Did the CEO publish an up-to-date version of the gift register on the local government's website?	Yes		Scott Wildgoose
13	s5.89A(6)	When a person ceases to be a person who is required to make a disclosure under section 5.87A or 5.87B, did the CEO remove from the register all records relating to that person?	Yes		Scott Wildgoose



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No	Reference	Question	Response	Comments	Respondent
14	s5.89A(7)	Have copies of all records removed from the register under section 5.89A (6) been kept for a period of at least five years after the person ceases to be a person required to make a disclosure?	Yes		Scott Wildgoose
15	Rules of Conduct Reg 11(1), (2) & (4)	Where a council member had an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person, did they disclose the interest in accordance with Rules of Conduct Reg 11(2)?*  *Question not applicable after 2 Feb 2021	Yes		Scott Wildgoose
16	Rules of Conduct Reg 11(6)	Where a council member disclosed an interest under Rules of Conduct Reg 11(2) was the nature of the interest recorded in the minutes?*	Yes		Scott Wildgoose
		*Question not applicable after 2 Feb 2021			
17	s5.70(2) & (3)	Where an employee had an interest in any matter in respect of which the employee provided advice or a report directly to council or a committee, did that person disclose the nature and extent of that interest when giving the advice or report?	Yes		Scott Wildgoose
18	s5.71A & s5.71B (5)	Where council applied to the Minister to allow the CEO to provide advice or a report to which a disclosure under s5.71A(1) relates, did the application include details of the nature of the interest disclosed and any other information required by the Minister for the purposes of the application?	Yes		Scott Wildgoose
19	s5.71B(6) & s5.71B(7)	Was any decision made by the Minister under subsection 5.71B(6) recorded in the minutes of the council meeting at which the decision was considered?	Yes		Scott Wildgoose
20	s5.103 Admin Regs 34B & 34C	Has the local government adopted a code of conduct in accordance with Admin Regs 34B and 34C to be observed by council members, committee members and employees?*	N/A		Scott Wildgoose
		*Question not applicable after 2 Feb 2021			
21	Admin Reg 34B(5)	Has the CEO kept a register of notifiable gifts in accordance with Admin Reg 34B(5)?*	N/A		Scott Wildgoose
		*Question not applicable after 2 Feb 2021			



No	Reference	Question	Response	Comments	Respondent
22	s5.104(1)	Did the local government prepare and adopt, by absolute majority, a code of conduct to be observed by council members, committee members and candidates within 3 months of the prescribed model code of conduct coming into operation (3 February 2021)?	No	Adopted 20 May 2021 - just outside 3 month window but model code used in interim.	Scott Wildgoose
23	s5.104(3) & (4)	Did the local government adopt additional requirements in addition to the model code of conduct? If yes, does it comply with section 5.104(3) and (4)?	No		Scott Wildgoose
24	s5.104(7)	Did the CEO publish an up-to-date version of the adopted code of conduct on the local government's website?	Yes		Scott Wildgoose
25	s5.51A(1) & (3)	Did the CEO prepare, and implement and publish an up-to-date version on the local government's website, a code of conduct to be observed by employees of the local government?	Yes		Scott Wildgoose

### Disposal of Property

No	Reference	Question	Response	Comments	Respondent
1	s3.58(3)	Where the local government disposed of property other than by public auction or tender, did it dispose of the property in accordance with section 3.58(3) (unless section 3.58(5) applies)?	Yes		Scott Wildgoose
2	s3.58(4)	Where the local government disposed of property under section 3.58(3), did it provide details, as prescribed by section 3.58(4), in the required local public notice for each disposal of property?	Yes		Scott Wildgoose





<b>Elections</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Elect Regs 30G(1) & (2)	Did the CEO establish and maintain an electoral gift register and ensure that all disclosure of gifts forms completed by candidates and donors and received by the CEO were placed on the electoral gift register at the time of receipt by the CEO and in a manner that clearly identifies and distinguishes the forms relating to each candidate?	Yes	No electoral gifts	Scott Wildgoose
2	Elect Regs 30G(3) & (4)	Did the CEO remove any disclosure of gifts forms relating to an unsuccessful candidate, or a successful candidate that completed their term of office, from the electoral gift register, and retain those forms separately for a period of at least two years?	N/A	No forms	Scott Wildgoose
3	Elect Regs 30G(5) & (6)	Did the CEO publish an up-to-date version of the electoral gift register on the local government's official website in accordance with Elect Reg 30G(6)?	N/A	Blank register	Scott Wildgoose



<b>Finance</b>						
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>	
1	s7.1A	Has the local government established an audit committee and appointed members by absolute majority in accordance with section 7.1A of the Act?	Yes		Scott Wildgoose	
2	s7.1B	Where the council delegated to its audit committee any powers or duties under Part 7 of the Act, did it do so by absolute majority?	N/A		Scott Wildgoose	
3	s7.9(1)	Was the auditor's report for the financial year ended 30 June 2021 received by the local government by 31 December 2021?	Yes		Scott Wildgoose	
4	s7.12A(3)	Where the local government determined that matters raised in the auditor's report prepared under s7.9 (1) of the Act required action to be taken, did the local government ensure that appropriate action was undertaken in respect of those matters?	Yes		Scott Wildgoose	
5	s7.12A(4)(a) & (4)(b)	Where matters identified as significant were reported in the auditor's report, did the local government prepare a report that stated what action the local government had taken or intended to take with respect to each of those matters? Was a copy of the report given to the Minister within three months of the audit report being received by the local government?	Yes	March 2021	Scott Wildgoose	
6	s7.12A(5)	Within 14 days after the local government gave a report to the Minister under s7.12A(4)(b), did the CEO publish a copy of the report on the local government's official website?	Yes	March 2021	Scott Wildgoose	
7	Audit Reg 10(1)	Was the auditor's report for the financial year ending 30 June received by the local government within 30 days of completion of the audit?	Yes		Scott Wildgoose	



<b>Integrated Planning and Reporting</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 19C	Has the local government adopted by absolute majority a strategic community plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	Reviewed June 2020 - major review process has commenced Jan 22	Scott Wildgoose
2	Admin Reg 19DA (1) & (4)	Has the local government adopted by absolute majority a corporate business plan? If Yes, please provide the adoption date or the date of the most recent review in the Comments section?	Yes	21 November 2019 - plan is to be reviewed in 2022 in line with the major strategic plan review - moving forward will become an annual	Scott Wildgoose
3	Admin Reg 19DA (2) & (3)	Does the corporate business plan comply with the requirements of Admin Reg 19DA(2) & (3)?	Yes		Scott Wildgoose

<b>Local Government Employees</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Admin Reg 18C	Did the local government approve a process to be used for the selection and appointment of the CEO before the position of CEO was advertised?	Yes		Scott Wildgoose
2	s5.36(4) & s5.37 (3) Admin Reg 18A	Were all CEO and/or senior employee vacancies advertised in accordance with Admin Reg 18A?	Yes		Scott Wildgoose
3	Admin Reg 18E	Was all information provided in applications for the position of CEO true and accurate?	Yes		Scott Wildgoose
4	Admin Reg 18F	Was the remuneration and other benefits paid to a CEO on appointment the same remuneration and benefits advertised for the position under section 5.36(4)?	Yes		Scott Wildgoose
5	s5.37(2)	Did the CEO inform council of each proposal to employ or dismiss senior employee?	Yes		Scott Wildgoose
6	s5.37(2)	Where council rejected a CEO's recommendation to employ or dismiss a senior employee, did it inform the CEO of the reasons for doing so?	N/A		Scott Wildgoose



<b>Official Conduct</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	s5.120	Has the local government designated a senior employee as defined by section 5.37 to be its complaints officer?	Yes	CEO	Scott Wildgoose
2	s5.121(1) & (2)	Has the complaints officer for the local government maintained a register of complaints which records all complaints that resulted in a finding under section 5.110(2)(a)? Does the complaints register include all information required by section 5.121 (2)?	Yes		Scott Wildgoose
3	s5.121(3)	Has the CEO published an up-to-date version of the register of the complaints on the local government's official website?	Yes		Scott Wildgoose



<b>Optional Questions</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	Financial Management Reg 5 (2)(c)	Did the CEO review the appropriateness and effectiveness of the local government's financial management systems and procedures in accordance with Financial Management Reg 5(2)(c) within the three years prior to 31 December 2021? If yes, please provide the date of council's resolution to accept the report.	No	No - a Financial management Review was undertaken in February 2022 and will be completed by March 2022	Scott Wildgoose
2	Audit Reg 17	Did the CEO review the appropriateness and effectiveness of the local government's systems and procedures in relation to risk management, internal control and legislative compliance in accordance with Audit Reg 17 within the three years prior to 31 December 2021? If yes, please provide date of council's resolution to accept the report.	Yes	16 April 2020	Scott Wildgoose
3	s5.87C	Where a disclosure was made under sections 5.87A or 5.87B, was the disclosure made within 10 days after receipt of the gift? Did the disclosure include the information required by section 5.87C?	Yes		Scott Wildgoose
4	s5.90A(2) & (5)	Did the local government prepare, adopt by absolute majority and publish an up-to-date version on the local government's website, a policy dealing with the attendance of council members and the CEO at events ?	Yes		Scott Wildgoose
5	s5.96A(1), (2), (3) & (4)	Did the CEO publish information on the local government's website in accordance with sections 5.96A(1), (2), (3), and (4)?	Yes		Scott Wildgoose
6	s5.128(1)	Did the local government prepare and adopt (by absolute majority) a policy in relation to the continuing professional development of council members?	Yes		Scott Wildgoose
7	s5.127	Did the local government prepare a report on the training completed by council members in the 2020/2021 financial year and publish it on the local government's official website by 31 July 2021?	Yes		Scott Wildgoose
8	s6.4(3)	By 30 September 2021, did the local government submit to its auditor the balanced accounts and annual financial report for the year ending 30 June 2021?	Yes		Scott Wildgoose
9	s.6.2(3)	When adopting the annual budget, did the local government take into account all it's expenditure, revenue and income?	Yes		Scott Wildgoose



<b>Tenders for Providing Goods and Services</b>					
<b>No</b>	<b>Reference</b>	<b>Question</b>	<b>Response</b>	<b>Comments</b>	<b>Respondent</b>
1	F&G Reg 11A(1) & (3)	Did the local government comply with its current purchasing policy [adopted under F&G Reg 11A(1) & (3)] in relation to the supply of goods or services where the consideration under the contract was, or was expected to be, \$250,000 or less or worth \$250,000 or less?	Yes		Scott Wildgoose
2	s3.57 F&G Reg 11	Subject to F&G Reg 11(2), did the local government invite tenders for all contracts for the supply of goods or services where the consideration under the contract was, or was expected to be, worth more than the consideration stated in F&G Reg 11(1)?	Yes		Scott Wildgoose
3	F&G Regs 11(1), 12(2), 13, & 14(1), (3), and (4)	When regulations 11(1), 12(2) or 13 required tenders to be publicly invited, did the local government invite tenders via Statewide public notice in accordance with F&G Reg 14(3) and (4)?	Yes		Scott Wildgoose
4	F&G Reg 12	Did the local government comply with F&G Reg 12 when deciding to enter into multiple contracts rather than a single contract?	N/A	Not required this year. used WALGA Panel.	Scott Wildgoose
5	F&G Reg 14(5)	If the local government sought to vary the information supplied to tenderers, was every reasonable step taken to give each person who sought copies of the tender documents or each acceptable tenderer notice of the variation?	Yes		Scott Wildgoose
6	F&G Regs 15 & 16	Did the local government's procedure for receiving and opening tenders comply with the requirements of F&G Regs 15 and 16?	Yes		Scott Wildgoose
7	F&G Reg 17	Did the information recorded in the local government's tender register comply with the requirements of F&G Reg 17 and did the CEO make the tenders register available for public inspection and publish it on the local government's official website?	Yes		Scott Wildgoose
8	F&G Reg 18(1)	Did the local government reject any tenders that were not submitted at the place, and within the time, specified in the invitation to tender?	No	No late received.	Scott Wildgoose
9	F&G Reg 18(4)	Were all tenders that were not rejected assessed by the local government via a written evaluation of the extent to which each tender satisfies the criteria for deciding which tender to accept?	N/A		Scott Wildgoose
10	F&G Reg 19	Did the CEO give each tenderer written notice containing particulars of the successful tender or advising that no tender was accepted?	N/A		Scott Wildgoose



Department of  
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No	Reference	Question	Response	Comments	Respondent
11	F&G Regs 21 & 22	Did the local government's advertising and expression of interest processes comply with the requirements of F&G Regs 21 and 22?	Yes		Scott Wildgoose
12	F&G Reg 23(1) & (2)	Did the local government reject any expressions of interest that were not submitted at the place, and within the time, specified in the notice or that failed to comply with any other requirement specified in the notice?	N/A		Scott Wildgoose
13	F&G Reg 23(3) & (4)	Were all expressions of interest that were not rejected under F&G Reg 23 (1) & (2) assessed by the local government? Did the CEO list each person as an acceptable tenderer?	N/A		Scott Wildgoose
14	F&G Reg 24	Did the CEO give each person who submitted an expression of interest a notice in writing of the outcome in accordance with F&G Reg 24?	N/A		Scott Wildgoose
15	F&G Regs 24AD(2) & (4) and 24AE	Did the local government invite applicants for a panel of pre-qualified suppliers via Statewide public notice in accordance with F&G Reg 24AD(4) and 24AE?	N/A		Scott Wildgoose
16	F&G Reg 24AD(6)	If the local government sought to vary the information supplied to the panel, was every reasonable step taken to give each person who sought detailed information about the proposed panel or each person who submitted an application notice of the variation?	N/A		Scott Wildgoose
17	F&G Reg 24AF	Did the local government's procedure for receiving and opening applications to join a panel of pre-qualified suppliers comply with the requirements of F&G Reg 16, as if the reference in that regulation to a tender were a reference to a pre-qualified supplier panel application?	Yes		Scott Wildgoose
18	F&G Reg 24AG	Did the information recorded in the local government's tender register about panels of pre-qualified suppliers comply with the requirements of F&G Reg 24AG?	Yes		Scott Wildgoose
19	F&G Reg 24AH(1)	Did the local government reject any applications to join a panel of pre-qualified suppliers that were not submitted at the place, and within the time, specified in the invitation for applications?	No		Scott Wildgoose
20	F&G Reg 24AH(3)	Were all applications that were not rejected assessed by the local government via a written evaluation of the extent to which each application satisfies the criteria for deciding which application to accept?	N/A		Scott Wildgoose
21	F&G Reg 24AI	Did the CEO send each applicant written notice advising them of the outcome of their application?	N/A		Scott Wildgoose



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No	Reference	Question	Response	Comments	Respondent
22	F&G Regs 24E & 24F	Where the local government gave regional price preference, did the local government comply with the requirements of F&G Regs 24E and 24F?	N/A		Scott Wildgoose

I certify this Compliance Audit Return has been adopted by council at its meeting on \_\_\_\_\_

\_\_\_\_\_  
Signed Mayor/President, Morawa

\_\_\_\_\_  
Signed CEO, Morawa



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## Audit & Risk Committee

### Meeting

10 March 2022

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**Attachment 1**    ***Attachment 1 – 10.1 Report on Significant Matter (Section 7.12A(4a) of the Local Government Act 1995)***

**Item 10.3**            Report on Significant Matter raised in Annual Financial Report Audit Opinion

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**Shire of Morawa**

**Annual Financial Report Audit for Year Ended 30  
June 2021**

**Report on Significant Matter (Section 7.12A (4a) of  
the Local Government Act 1995)**

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## Background

The Shire of Morawa (Shire) is required to prepare an audited Annual Financial Report each year under the Local Government Act 1995 (the Act). The Shire's auditor is the Office of the Auditor General (OAG).

The Shire's Annual Financial Report for the period ended 30 June 2021 was completed in December 2021 and signed Independent Auditors Report (**Appendix A**) was dated 21 December 2021.

Section 7.12A (4a) states that a Local Government must prepare a report addressing any matters identified as significant by the auditor in the audit report, stating what action the local government has taken or intends to take with respect to each of those matters.

The OAG Independent Auditor's Report shown in **Appendix A** identifies one matter identified as significant through the audit of the Shire's annual financial report.

As such this report has been prepared to meet the requirements of Section 7.12A and to address the significant adverse trend identified by the OAG.

## Summary of Ratios

Regulation 50 of the Local Government (Financial Management) Regulations 1996 requires the inclusion of seven ratios in the Annual Financial Report.

### **Regulation 50: Financial ratios to be included in annual financial report**

The annual financial report is to include, for the financial year covered by the annual financial report and the 2 preceding financial years –

1. the current ratio; and
2. the asset consumption ratio; and
3. the asset renewal funding ratio; and
4. the asset sustainability ratio; and
5. the debt service cover ratio, and
6. the operating surplus ratio; and
7. the own source revenue coverage ratio.

The OAG has identified that the Shire's Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries' (DLGSCI) standard for the last three years. I would like to note that the 2019/2020 Audit Opinion also had the Asset Sustainability Ratio listed as having an adverse trend, which the Shire has managed to turnaround during 2020/2021.

## Shire of Morawa's Position

The following ratio data has been taken from the Annual Financial Statements for the year ending 2019 & 2021.

	2017	2018	2019	2020	2021
Operating Surplus Ratio	0.19	-0.54	-0.32	-0.51	-0.28
Meets Benchmark?	Yes	No	No	No	No

Table 1: Colour coded ratio analysis 2017-2021 from Annual Financial Statements (Shire of Morawa)

This ratio has been in the negative for the last four (4) years with an improvement showing between 2020 and 2021. The results of this ratio are affected by Council's ability to raise own source revenue to cover its operational needs and shows that increases to rates and charges over time have not been adequate to cover the increases to expenditure. Covid-19 had a significant affect during the 2020 financial year as Council did not increase any of its fees or charges as the expected impact of the pandemic on the community was unknown.

The Shire typically takes a cautious and conscientious approach to expenditure and the use of rate payer funds, which is highlighted by the Shire's reserve management practices supported by associated policies.

For the financial year ended 30 June 2021 the Shire had a reserve fund balance of \$5.5m, \$300k higher than 2020 and around 2.8 times the Shire's annual rates income. The Shire is confident of its financial health even if the Operating Surplus Ratio indicates a significant adverse trend.

The Shire also monitors its use of borrowings very closely and will only borrow if necessary to carry out suitable capital investments. Council currently has borrowings to the value of \$473k. This indicates that the Shire is unlikely to face significant financial impacts from being unable to repay its debts and is evident by the Shire's positive current ratio of 4.59%.

## Addressing the Significant Matter

The Shire plans to address the significant matter identified by the OAG in the following ways.

1. Undertake a review of its Long-Term Financial Plan/Strategic Resource Plan including Asset Management Plans
2. Review operational expenditure
3. Review operating income

### 1. Undertake a review of Long-Term Financial Plan

The Shire has instigated a review of its long-term financial plan which unfortunately has not yet been completed due to limited staff resources, and whilst this has been contracted to Moore Australia, staff input is still necessary.

A review of the Shire's long term financial plan may identify further areas where refinements can be made, but it should be noted that in previous versions of the Long-Term Financial Plan the Shire expected both the Operating Surplus Ratio and Asset

Sustainability Ratio ratios to be below the DLGSCI's standard/baseline, this was not seen as detrimental to the Shire's financial viability.

In terms of long-term financial planning the Shire will also be reviewing its depreciation rates. Since 2016 the Shire's total asset base has only increased by 3% but its annual depreciation has increased by 30%, indicating a higher depreciation for assets year on year or some newly purchased assets having short useful lives. The Shire's asset replacement and renewal expenditure has remained relatively consistent at around \$1.5m per year. Whilst depreciation and ratios may suggest a higher level of capital renewal and replacement is required this needs to be balanced against the level of usage of assets.

### 3. Review Operating Expenditure

It should be noted that the Shire's general operating expenditure is at a very similar position as it was when the Long-Term Financial Plan was last revised which demonstrates the Shire's prudent approach towards expenditure.

One of the Shire's biggest expenditure areas is transport, specifically road maintenance which is necessary to support the agricultural economy. As such it is unlikely many savings will be achievable in this area.

One area the Shire is looking to save funds is on utilities, given utility providers continue to increase charge rates year on year. The Shire has recently signed a new contract with Synergy which gives some relief on the cost of power on our high consumption facilities. We are also planning to complete asset upgrades on other Shire properties in the form of Solar Panels to reduce power consumption. Unfortunately to implement this type of installation will incur significant capital expenditure which will need to be spread over a few years to achieve.

The continuation of prudent financial management and cost rationalization should see improvement of the Shire's Operating Surplus Ratio over time.

### 4. Review Operating Income

One of the main factors affecting the Shire's ability to invest in asset renewal and improve its Operating Surplus Ratio is income.

Since 2016 the Shire's total income from rates has increased from \$1.3m to \$1.9m, with no increase in population. Although the Shire could impose significant rate increases to improve its ratios, this would not be in the best interest of the community. Rates will need to continue to increase by more than inflation and wage increases to maintain the Shire's ability to cover its operational expenditure and asset renewal needs but large increases are unlikely.

Another way to increase the potential income from rates is by substantially increasing the Shire's population and property development. The Shire's population has declined over several years and much of the land in the townsite is undeveloped. The Shire's strategic community plan and previously the Regeneration Morawa initiative has placed an emphasis on population growth and economic development. The Shire continues to invest in this area, but it is unlikely the Shire will see marked improvements

in the short term but over the longer term it is envisaged that growth will positively contribute to financial sustainability.

Other income components have been largely negative. Interest income from the Shire's reserve and bank accounts dropped from \$62k in 2019/2020 to \$27k in 2020/2021 a drop of 43% even though reserves increased by \$300k and is expected to be even lower in coming financial years.

Income from Fees and Charges is reviewed annually as part of the budget process, but whilst the Shire could consider implementing a significant increase it must consider the impact on the community when undertaking this course of action. Many of Shire's fees are legislated or have been set based on expenditure. Other areas are deemed to be a community service such as the swimming pool, so the charge does not cover costs.

## Conclusion

The significant adverse trend in the Shire's financial position identified by the OAG in response to three consecutive years of below par performance for the Operating Surplus Ratio is not something that can be easily fixed during one financial year.

The Shire of Morawa is committed to exploring avenues to increase operating revenues and rationalize costs, however as an organization with a strategic vision to create a welcoming and inclusive community with a vibrant and growing economy, all operational changes must be reviewed in a strategic context in terms of the longer-term effects it might have on our community.

A review of long-term financial planning should highlight any areas of financial concern and allow the Shire to adapt its practices to maintain financial viability. Funds held in reserve are designed for strategic benefit but still provide the Shire with capacity to invest in asset renewal if necessary.

No obvious quick wins are evident to improve the Shire's financial ratios, however it is debated as to whether the Operating Surplus Ratio alone represent a significant adverse trend in the Shire's position. The Shire has very minimal debt and holds money in reserve and has limited chance of encountering financial hardship in the near future.

The Shire encourages the Minister for Local Government to engage with the OAG, WALGA and LG Professionals to review the Department's financial ratios and their relevance to regional/remote communities and the different operational environments in which they operate.



# Auditor General

## INDEPENDENT AUDITOR'S REPORT 2021 Shire of Morawa

To the Councillors of the Shire of Morawa

### Report on the audit of the annual financial report

#### Opinion

I have audited the financial report of the Shire of Morawa (Shire) which comprises:

- the Statement of Financial Position at 30 June 2021, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information
- the Statement by the Chief Executive Officer.

In my opinion the financial report of the Shire of Morawa:

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

#### Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities section below. I am independent of the Shire in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



## **Responsibilities of the Chief Executive Officer and Council for the financial report**

The Chief Executive Officer (CEO) of the Shire is responsible for the preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards. The CEO is also responsible for managing internal control (as required by the CEO) to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Shire's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

## **Auditor's responsibility for the audit of the financial report**

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

## Report on other legal and regulatory requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matter indicates a significant adverse trend in the financial position of the Shire:
  - a) The Operating Surplus Ratio as reported in Note 31 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries basic standard for all 3 years reported in the annual financial report.
- (ii) 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) A review of the appropriateness and effectiveness of the Shire's financial management systems and procedures was not completed by the CEO at least once every three financial years, as required by section 5(2)(c) of the Local Government (Financial Management) Regulations 1996. The last review took place for the financial year ended 30 June 2016.
  - b) Bank reconciliations for the municipal account was not reconciled until 17 August 2021, which resulted in 32 backdated payments totalling \$158,301 not being identified in a timely manner. These were subsequently corrected during the audit.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

### Other information

The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial report and my auditor's report. The CEO is responsible for the preparation and the Council for overseeing the other information.

My opinion does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

### Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the Shire of Morawa for the year ended 30 June 2021 included on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

Grant Robinson  
Assistant Auditor General Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
21 December 2021