

SHIRE OF JERRAMUNGUP  
FINANCIAL MANAGEMENT REVIEW  
REPORT

JULY 2020 – JANUARY 2021

# Financial Management Review

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ATTACHMENTS

## OVERVIEW AND SCOPE

Pursuant to Regulation 5(1) of the Local Government (Financial Management) Regulations 1996, efficient systems and procedures are to be established by the Chief Executive Officer of a local government for:

- (a) The proper collection of all money owing to the local government;
- (b) The safe custody and security of all money collected or held by the local government;
- (c) The proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process);
- (d) Ensuring the proper accounting for municipal or trust-
  - (i.) Revenue received or receivable;
  - (ii.) Expenses paid or payable; and
  - (iii.) Assets and liabilities;
- (e) Ensuring the proper authorisation for the incurring of liabilities and the making of payments;
- (f) The maintenance of payroll, stock control and costing records; and
- (g) Assisting in the preparation of budgets, budget reviews, accounts and reports required by the Act or regulations.

In addition, Regulation 5(2) requires the Chief Executive Officer of a local government to-

- (a) Ensure that the resources of the local government are effectively and efficiently managed;
- (b) Assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and
- (c) **Undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government (and not less than once in every 4 financial years) and report to the local government the results of those reviews.**

The objective of our engagement was to test the financial management system of the Shire of Jerramungup and report on the appropriateness and effectiveness of the control environment within, as required by Local Government (Financial Management) Regulation 5(2) (c).

This report summarises in **Section 2.0** the factual findings and observations of our examination and makes recommendations we consider appropriate for the Shire to improve any weaknesses in systems and controls.

As part of this report we have also provided a process flowchart mapping the systems, procedures, and documents performed and used by the shire in order to highlight (if any) the weaknesses in the process. The processes mapped related to-

- Mail/Cashiering
- Accounts Receivable
- Purchase, Payment and Payables
- Payroll

As agreed, our examination covered the period 1 July 2020 to 31 January 2021. Our examination included the following financial systems and procedures of Council:

- Bank Reconciliations and Petty Cash
- Trust Fund
- Receipts and Receivables
- Rates
- Budget
- Purchases, Payments and Payables
- Fees and Charges

- Wages and Salaries
- Fixed Assets
- Financial Reports
- Integrated Planning and Reporting Framework
- Minutes and Meetings
- Annual Electors Meeting
- Registers (i.e. tenders, financial interest, contracts and legal documents)
- Delegations
- Audit Committee
- Insurance
- Storage of Documents/Record Keeping
- Other Matters

Our review did not necessarily examine compliance with provisions of the Act or Regulations, which were not financial in nature. That is, some provisions of Parts 2, 3, 4, and 5 of the Act as well as most regulations (apart from the Financial Management Regulations), which did not impact on the areas examined above.

It should be noted this examination was not an assurance engagement, audit or review in accordance with the Framework for Assurance Engagements, Australian Auditing Standards (ASAs), Auditing Standards on Review Engagements (ASREs) or Standards on Assurance Engagements (ASAEs).

The role of expressing assurance on balances rests with the external audit function and those procedures are carried out separately from this examination with a view to forming an opinion on the financial report (consistent with the requirements of Australian Auditing Standards and Local Government Act 1995) subsequent to the conclusion of the current financial year (30 June 2021).

This report is intended solely to assist the CEO prepare their review for presentation to Council as required by Financial Management Regulation 5(2)(c), it is not intended to express or imply any assurance. It takes the form of an agreed upon procedures engagement in accordance with Australian Auditing Standards.

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## 2.1 BANK RECONCILIATIONS AND PETTY CASH

### **Bank Reconciliations**

An examination of the bank reconciliation procedures for the Municipal, Investments and Trust accounts showed they were up to date as well as being prepared regularly and promptly.

#### **2.1.1 Mapped Process**

A mapped process for Mail/Cashiering and Reconciliations have been compiled and are included in Attachment 1.

#### *Process Evaluation*

- It was noted from mapping the process surrounding Bank Reconciliations that for the Reserve account, Pool grant funds & Waste grant funds the Shire does not use the “Bank Reconciliation module” within SynergySoft, rather it prepares “Manual Reconciliation” by way of spreadsheets.

**Recommendation: Although we do not consider this to be a control weakness, we do recommend using the SynergySoft system as it allows for rolling forward balances and electronically reconciling bank accounts.**

We did not find any other exceptions to the systems and procedures surrounding the operation of bank reconciliations. We conclude that it is properly controlled and maintained.

We noted there is cash float of \$200 and nil petty cash balance maintained.

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## 2.2 TRUST FUND

On our examination of Trust Funds, we noted Trust funds were Nil for the period 1 July 2020 to 1 January 2021. No issues of non-compliance with regulatory requirements noted.

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## 2.3 RECEIPTS AND RECEIVABLES

Detailed testing and analysis of sample receipts for Rates, Fees and charges, including other income was performed. This included tracing to individual receipt details, bank deposits and the general ledger to ensure allocation/posting was correctly performed.

We also reviewed the month-end receivables reports and ensured appropriate follow up and review procedures were performed.

Overall the testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for the council’s current scope of operation except for the following observations:

- On review of sample rates receivables and sundry debtors month-end reports, we noted the reports are reconciled as at the end of month; however the reports did not agree to monthly Statement of Financial Activity for the months of July 2020, September 2020, November 2020 and January 2021.

**Recommendation: To ensure the accuracy of the month-end reports, we recommend that at all times, a final copy of rates and sundry debtors reconciliation report be prepared which reconciles with the monthly financial report reported to council and is signed off or initialed by the designated authority.**

### **2.3.1 Mapped Process**

A mapped process for Accounts Receivable has been compiled and is included in Attachment 2

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## **2.4 RATES**

The shires rating policies and procedures were examined to ensure they complied with legislative requirements, and they were being imposed correctly. This also included reviewing the rates record, rate notices, instalment notices and valuation reconciliations.

Our review indicated the rates record is being properly maintained and rates are correctly imposed.

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## **2.5 BUDGET**

The annual budget and the relevant documents attached to the budget for the 2020/21 financial year was reviewed to ensure compliance with regulatory requirements. We noted that all requirements were satisfactorily met without exception.

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## **2.6 PURCHASES, PAYMENTS AND PAYABLES**

Sample payments were judgementally selected and testing was performed to determine whether purchases were authorised/budgeted and payments were supported, certified, and correctly allocated.

We also reviewed the month-end payables reports and ensured appropriate follow up and review procedures were performed.

Overall the testing was completed satisfactorily. Controls and procedures are considered to be operating effectively and are appropriate for the council's current scope of operation except for the following observations:

- On review of sample creditors month-end reports, we noted the reports are reconciled as at the end of month; however the reports did not agree to monthly Statement of Financial Activity for the months of July 2020, September 2020, November 2020 and January 2021.

**Recommendation: To ensure the accuracy of the month-end reports, we recommend that at all times, a final copy of creditors reconciliation report be prepared which reconciles with the monthly financial report reported to council and is signed off or initialed by the designated authority.**

**A review of the appropriateness of delegations was performed in section 2.15 of this report**

### **2.6.1 Mapped Process**

A mapped process for Purchasing, Payments and Payables has been compiled and is included in Attachment 3.

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## 2.7 FEES AND CHARGES

Fees and charges imposed at the time of the budget adoption for the 2020/21 financial year were found to be in accordance with legislative requirements.

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## 2.8 WAGES AND SALARIES

We noted the payroll process and its supporting controls. Several individual employees were selected and testing was performed to ensure:

- The employee existed;
- The correct rate of pay was used;
- Non statutory deduction authorities are on hand;
- Timesheets are properly completed and authorised;
- Hours worked are authorised; and
- Allocation is reasonable and appropriately posted.

We did not find any exceptions to our testing. We also noted the payroll process and its supporting controls to be reasonable and operating effectively.

### **2.8.1 Mapped Process**

A mapped process for Payroll has been compiled and is included in Attachment 4.

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## 2.9 FIXED ASSETS

Sample capital payments were judgementally selected and testing was performed to determine whether purchases were authorised/budgeted and payments were supported, certified, and correctly allocated.

Our review of the fixed assets management system we did not find any exceptions to our testing. In general, the controls and procedures over capital purchasing, payments and payables were operating effectively.

**It was noted however from our review, the Shire's capitalisation and depreciation policy does not include the current amendments to Local Government (Financial Management) Regulations relating to fair value cycle, measurement basis for plant and equipment, vested land etc. We therefore recommend that the Shire review its current policy to ensure it incorporates the current regulation changes.**

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## 2.10 FINANCIAL REPORTS

The following reports were examined for compliance with legislative requirements:

- Annual Report;
- Annual Financial Report; and
- Monthly Statement of Financial Activity.

Our examination found the preparation and presentation of the above financial reports to be satisfactory and in compliance with the legislative requirements.

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## 2.11 INTEGRATED PLANNING FRAMEWORK

On August 2012, the Minister for Local Government introduced regulations which established new requirements to Plan for the Future under the Local Government Act 1995. Under these regulations, all local governments in Western Australia will be required to have developed and adopted two key documents by 30 June 2013:

- A Strategic Community Plan; and
- A Corporate Business Plan.

Our review of the above plans indicated the Shire has met the requirements of the integrated planning framework in establishing and adopting a Strategic Community Plan and Corporate Business Plan, except the following:

- Strategic Community Plan was adopted in September 2016 and was due for review in September 2020 as the regulations require the Shire to review the Strategic Community Plan at least once every 4 years. However subsequently the review has been completed and endorsed by the Council in the 24 March 2021 council meeting. There was delay due to COVID-19 and no community meetings could be held mid last year.
- Corporate Business Plan was adopted in October 2017 and was reviewed in June 2020. However the regulations require the Shire to review the Corporate Business Plan every year

**Recommendation: To ensure proper compliance with the statutory provisions, we recommend the Strategic Community Plan be reviewed at least once every four years and Corporate Business Plan to be reviewed every year.**

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## 2.12 MINUTES AND MEETINGS

The Councils meeting minutes during the period under review was inspected to ensure compliance with shire procedures and legislative requirements.

It was found that the procedures and protocols surrounding the preparation of the meeting minutes and the information recorded in the minutes were reasonable and in accordance with legislative requirements.

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## 2.13 ANNUAL ELECTORS MEETINGS

Minutes of this meeting dated 3 February 2021, the relevant council meeting, and the public notice in relation to this meeting were examined to ensure compliance with regulatory requirements. It was found all the requirements were satisfactorily met.



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## 2.14 REGISTERS

### **Tenders**

The Tender register was inspected for compliance and completeness.

We found the register to be prepared in accordance with the requirements set out in the Local Government (Function and General) Regulations 1996.

### **Financial Interest**

It was noted from our review, a number of files were kept to store all of the returns lodged under section 5.75 and 5.76 and all recorded disclosures made under 5.65, 5.70 and 5.71 of the Act.

Our review indicated that all returns and disclosures were made appropriately and in accordance with legislative requirements.

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## 2.15 DELEGATIONS

It was noted from our examination the delegations authority are reviewed for 2020/21 as required under 5.46 of the Act. It was found the requirements were met.

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## 2.16 AUDIT COMMITTEE

Our examination indicated that the shire operates a consolidated committee for the following functions.

- Audit,
- Finance, and
- Administration.

It was also noted that the following councillors are the current members of the above committee.

- i) Cr Robert Lester (Shire President)
- ii) Cr Joanne Iffla (Deputy Shire President)
- iii) Cr Bill Bailey (Councillor)
- iv) Cr Julie Leenhouders (Councillor)
- v) Cr Rex Parsons (Councillor)
- vi) Cr Andrew Price (Councillor)
- vii) Cr Drew Dawson (Councillor)

Based on the size of the shire we believe the consolidation of the above committees and their functions to be adequate.

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## 2.17 INSURANCE

A review of the insurance policy documents and discussions with management revealed them to be current and adequate for the shires needs. Evidence also exists to suggest that an annual review of the insurance risks occurs.

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## 2.18 STORAGE OF DOCUMENTS/RECORD KEEPING

All legal and sensitive documents including minutes, contracts and registers are stored in a compactor area. A filing system is also in place in synergy records and appears to be complete and operating effectively.

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## 2.19 OTHER MATTERS

As part of our review, we also examined the following “Other Matters” which form part of the shires financial management systems.

**(i) Shire’s Policy Manual**

A review of all shire’s finance policies was performed and we noted that :

The following policies had not been updated since the below adoption dates. However based on our discussion with management, the CEO is currently undertaking a major review of all the policies. There is risk that overlooking a review can suggest procedures documented are non-operational /non-compliant to the current regulations.

<b>Finance Policies</b>	<b>Date adopted</b>
FP2- Rates and Accounts collection	21-August-2013
FP3- Investments	21-August-2013
FP4- Sport and Recreation Grants	21-August-2013
FP5- Corporate Credit Card	21-September-2016
FP7 - Pensioner Rebates on Rural Properties	17-September-2014
FP8 - Financial Hardship Policy	19-March-2014
Record Keeping– Disaster Recovery Plan	Pre 2008

A Business Continuity Manual was originally developed and adopted in March 2018. It states Business Impact Analysis, should be conducted or formally reviewed every two years and the major components of the Plan should be tested annually. We noted that the policy review in 2019 has not been adopted. Also, Business Continuity and Record Keeping– Disaster Recovery Plan requires the plan to be tested annually.

**Recommendation: Policies should be reviewed and updated on a regular basis to ensure the policies are current, compliant with the regulations and staff are following appropriate procedures and policies in place. Business Continuity and Disaster Recovery Plan should be tested annually and revised upon the results of the test . Refer to section 2.9 of this report for further understanding of the asset policy.**

**(ii) IT General Environment**

- The shire utilises a shared network consisting of one main server and approximately thirteen desktop computers and nine laptops. Our examination and discussions of the systems indicated each staff member has been provided access levels based on their roles and responsibilities.

Based on the size of the shire the IT environment appears adequate.

- Shire does not have any formal policies governing IT security nor procedures to maintain the integrity of the IT systems and corresponding user access. This also extends to security around removable/portable devices. Presently, an external provider is engaged to provide IT support services and advice regarding security and hardware.

**Recommendation: Shire should also undertake a comprehensive IT security review to identify the key IT risks along with the IT controls to reduce the risk to an acceptable level. IT Policy and procedures should be documented and communicated to users of the IT systems.**

***(iii) Month End Procedures***

An examination of the shires month end procedures was performed and the following issue was noted.

- The Monthly Statement of Financial Activity for the months of July 2020, September 2020, November 2020 and January 2021 did not balance to the Trial Balance within Synergy mainly due to the adjustments being made whereby invoices are received subsequent to the month-end finalisation.

**We recommend a copy of Synergy trial balance is be printed and retained which agrees to Monthly Statement of Financial Activity and adjustments made after the approved monthly financial report are to be monitored and retained.**

***(iv) Corporate Credit Card Policy***

A number of credit card transactions and statements were judgementally selected and testing was performed to determine whether transactions were in compliance with the shire's corporate credit card policy.

The controls and procedures over corporate credit cards were operating effectively.

***(v) General Journals***

A sample of general journals were randomly selected and testing was performed to determine whether transactions are supported by documentation, authorised and are reasonable.

The controls and procedures over general journals are operating effectively.

The following is a brief summary of the recommendations/matters that have been raised in this report and requires follow up action.

#### **Bank Reconciliation and Petty cash**

- Consideration should be given in using the bank reconciliation module within SynergySoft for the Reserve account, Pool grant funds & Waste grant funds as it allows for electronic reconciliations and rolling forward of balances.

#### **Receipts and Receivables**

- Receivables reconciliation report be prepared as at the month-end cut-off which reconciles with the monthly financial report and is signed off or initialed by the designated authority to ensure the review is documented.

#### **Purchases, Payments and Payables and Fixed Assets**

- Creditors reconciliation report be prepared as at the month-end cut-off which reconciles with the monthly financial report and is signed off or initialed by the designated authority to ensure the review is documented.

#### **Fixed Assets**

- Capitalisation and depreciation policy should be reviewed to ensure it incorporates the current regulation changes.

#### **Integrated Planning Framework**

- The Strategic Community Plan be reviewed at least once every four years and Corporate Business Plan to be reviewed every year to be consistent with Local Government (Administration) Regulations 1996.

#### **Other Matters**

- All policies should be reviewed and updated on a regular basis to ensure the policies are current, compliant with the regulations and staff are following appropriate procedures and policies in place. Business Continuity and Disaster Recovery Plan should be tested annually and revised upon the results of the test.
- Develop an IT plan identifying the risks and procedures to maintain the integrity of the IT systems and review the adequacy of IT controls. This should be documented and communicated to the users of the IT systems.
- The Monthly Statement of Financial Activity reported to council is balanced to the Trial Balance within Synergy and adjustments made after month-end finalisation are to be monitored and retained.

## 4.0 CONCLUSION

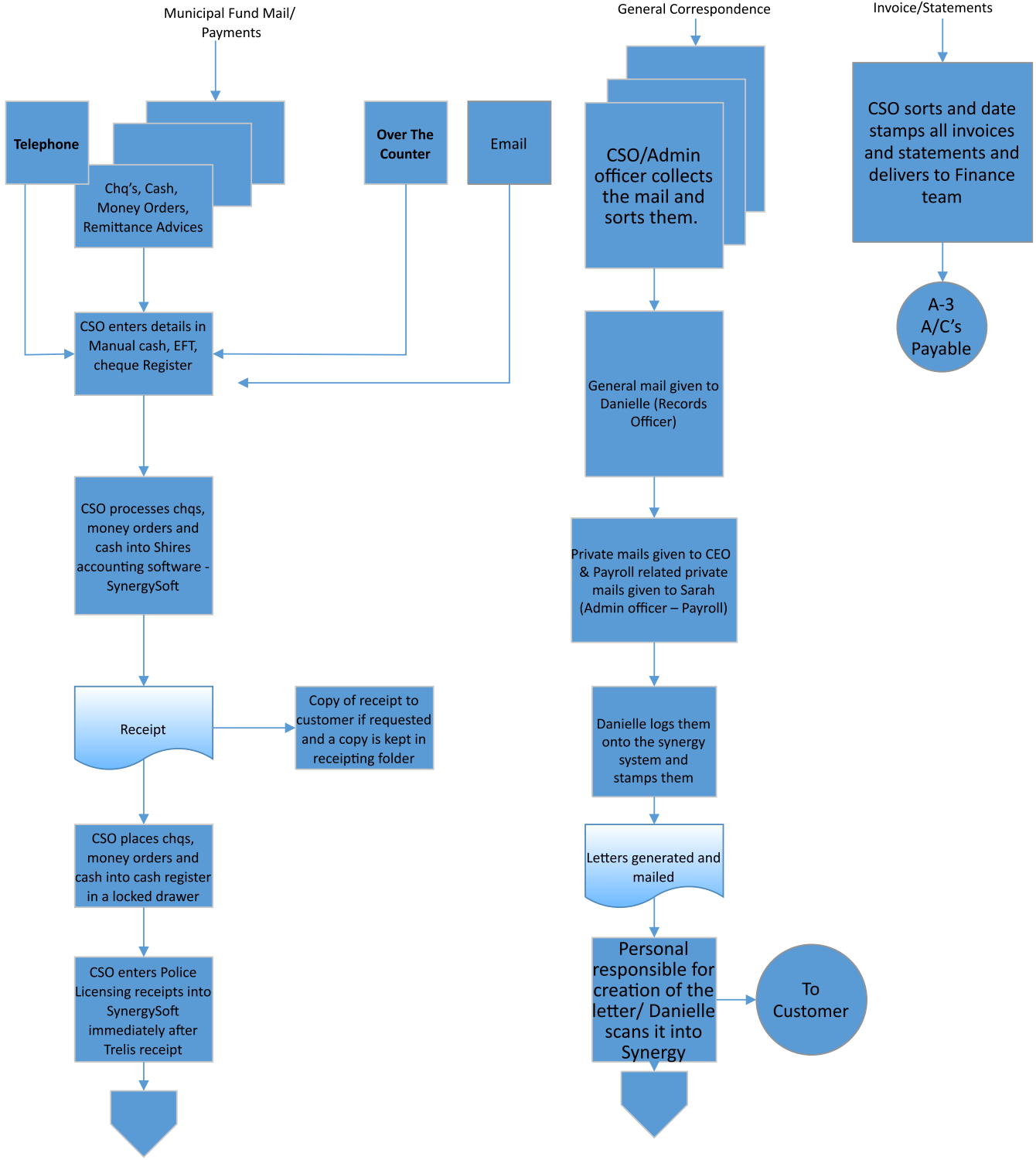
Our review of the Financial Management Systems and Procedures developed by the Shire of Jerramungup indicates that, except for the matters identified within this report they are operating effectively and are deemed adequate for the council's needs and in particular for the size of the shire.

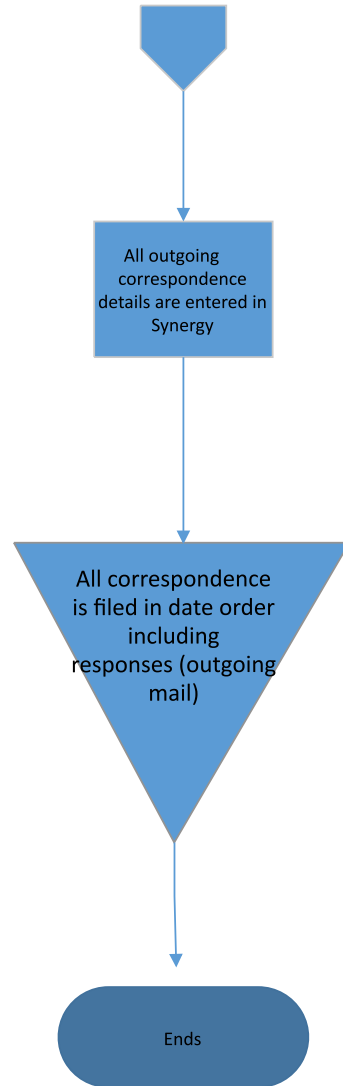
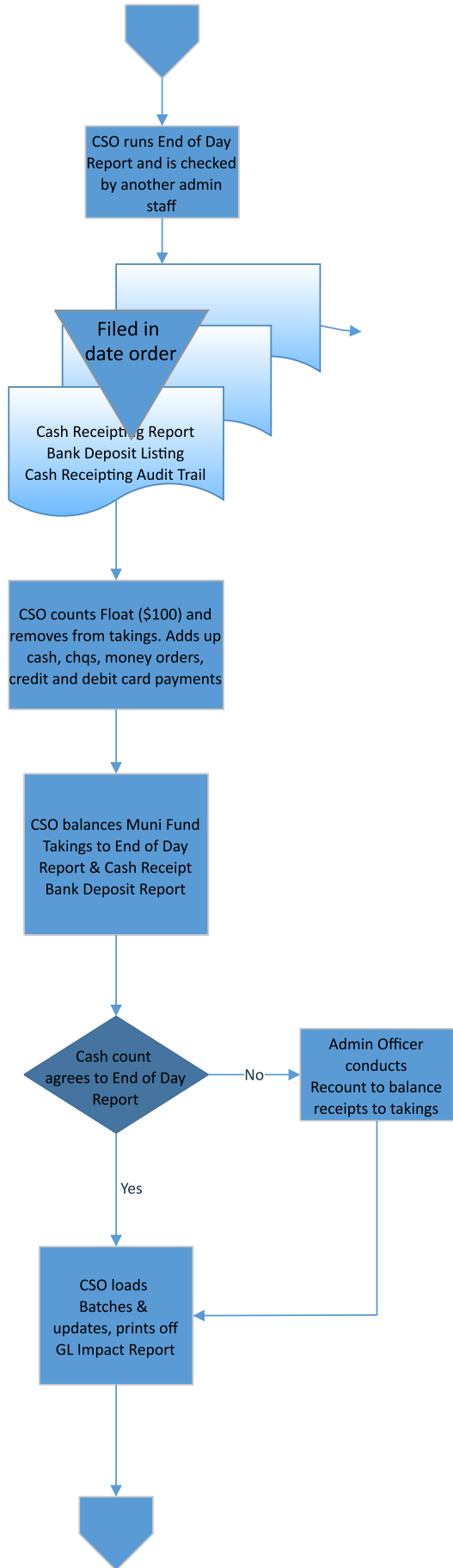
ATTACHMENT 1  
MAIL & CASHIERING  
PROCESS MAP

**Shire of Jerramungup**  
**Mail/Cashiering Flowchart 12/03/2021**

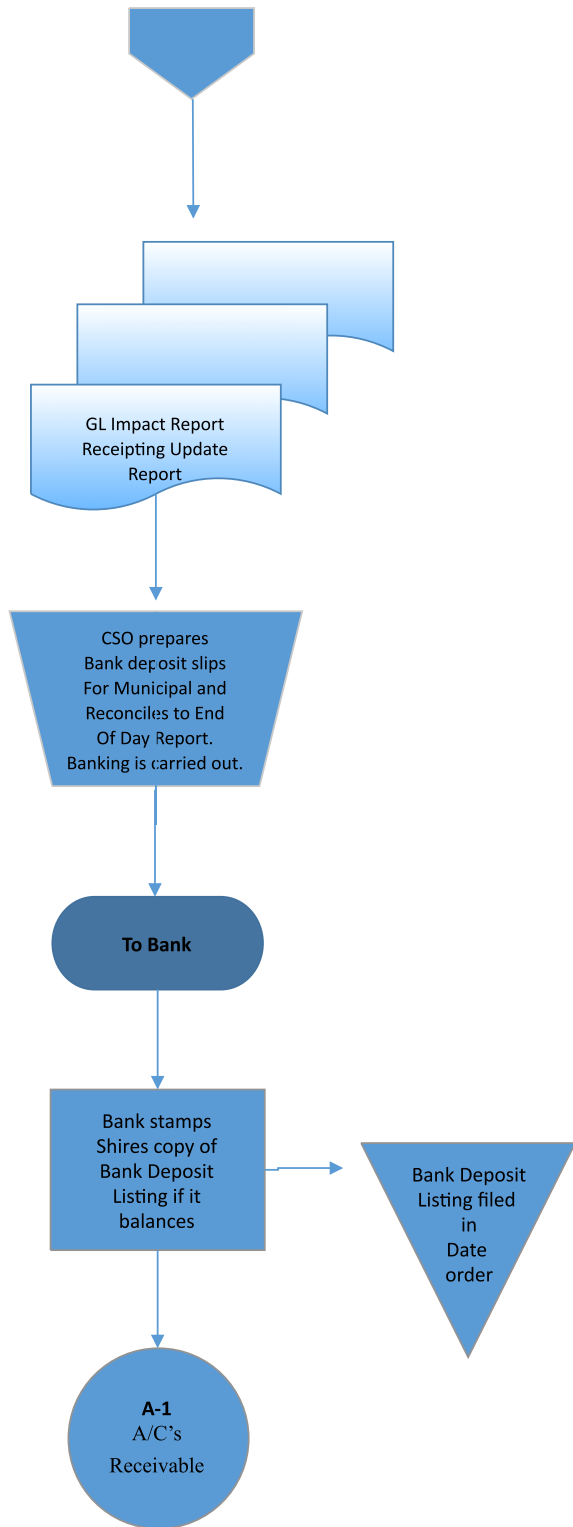
Customer Service Officers (CSO) / Admin Officer  
 sorts all incoming correspondence into the categories  
 listed below.

CSO – Nic  
 Admin/Finance officer –  
 Sophie, Sarah, Sandra  
 Records Officer - Danielle





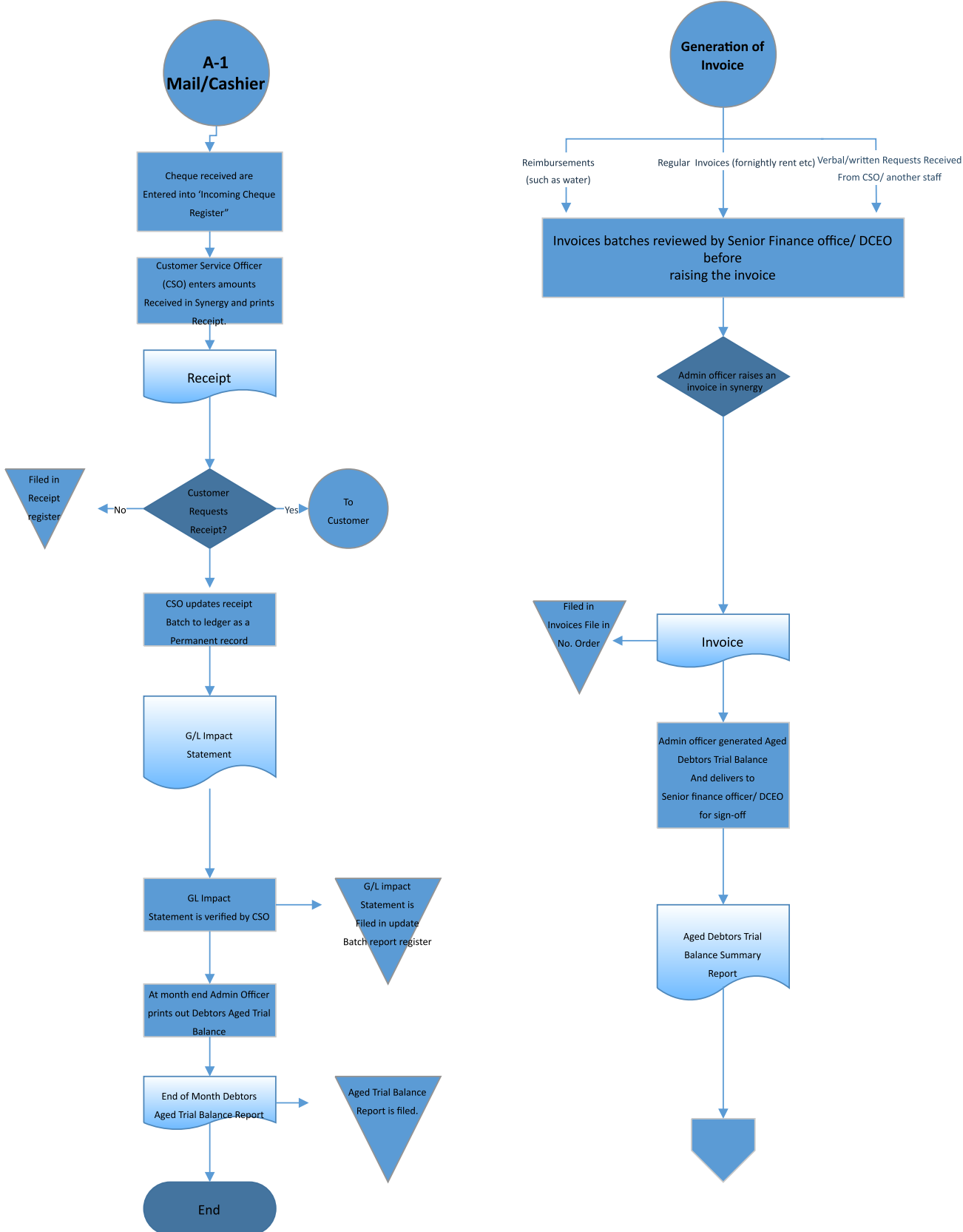


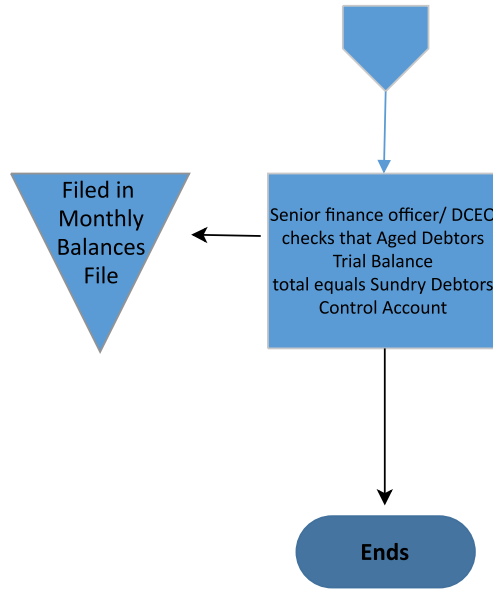


ATTACHMENT 2  
ACCOUNTS RECEIVABLE  
PROCESS MAP

# Shire of Jerramungup

## Accounts Receivable Flowchart 12/03/2021

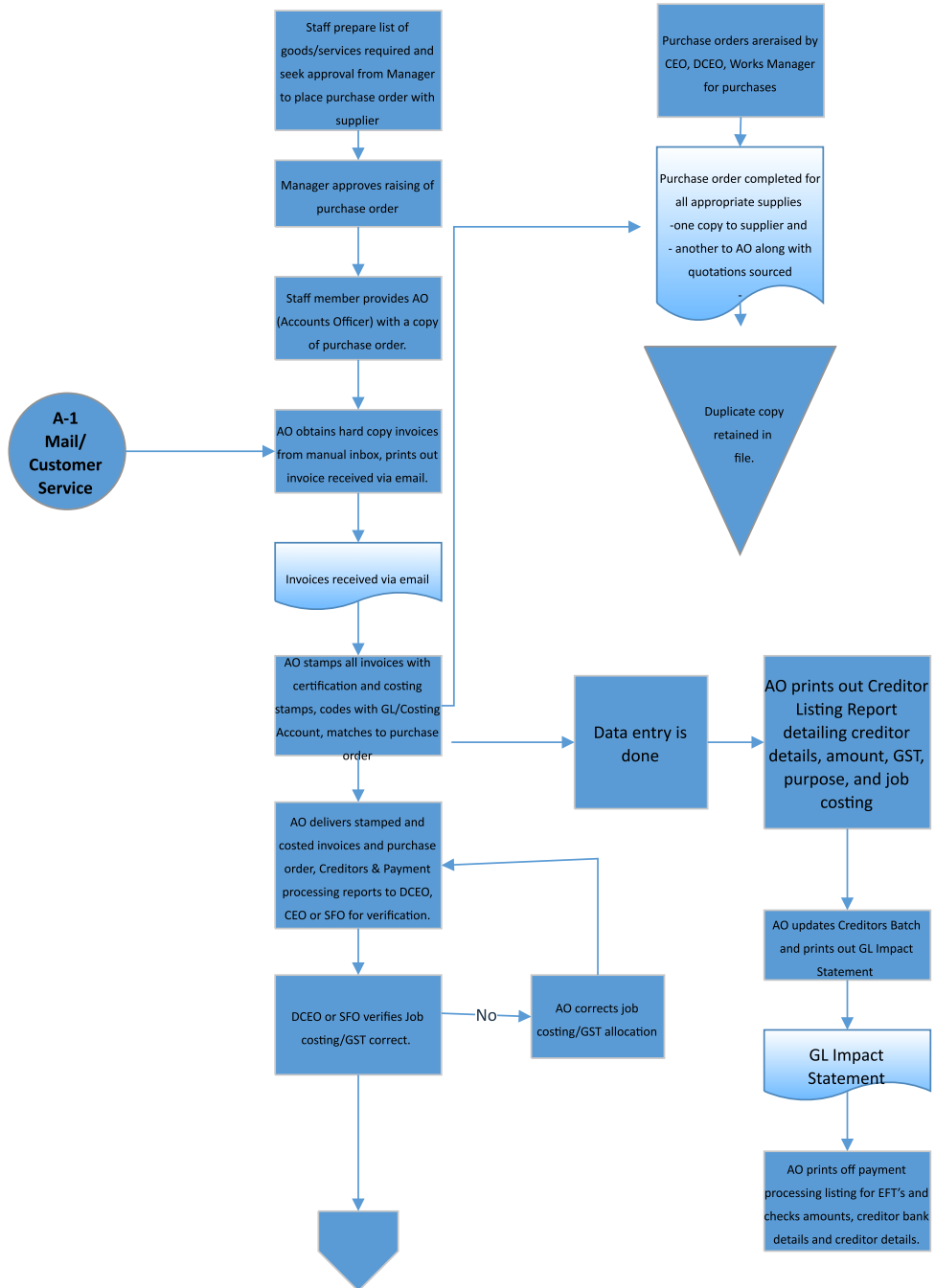


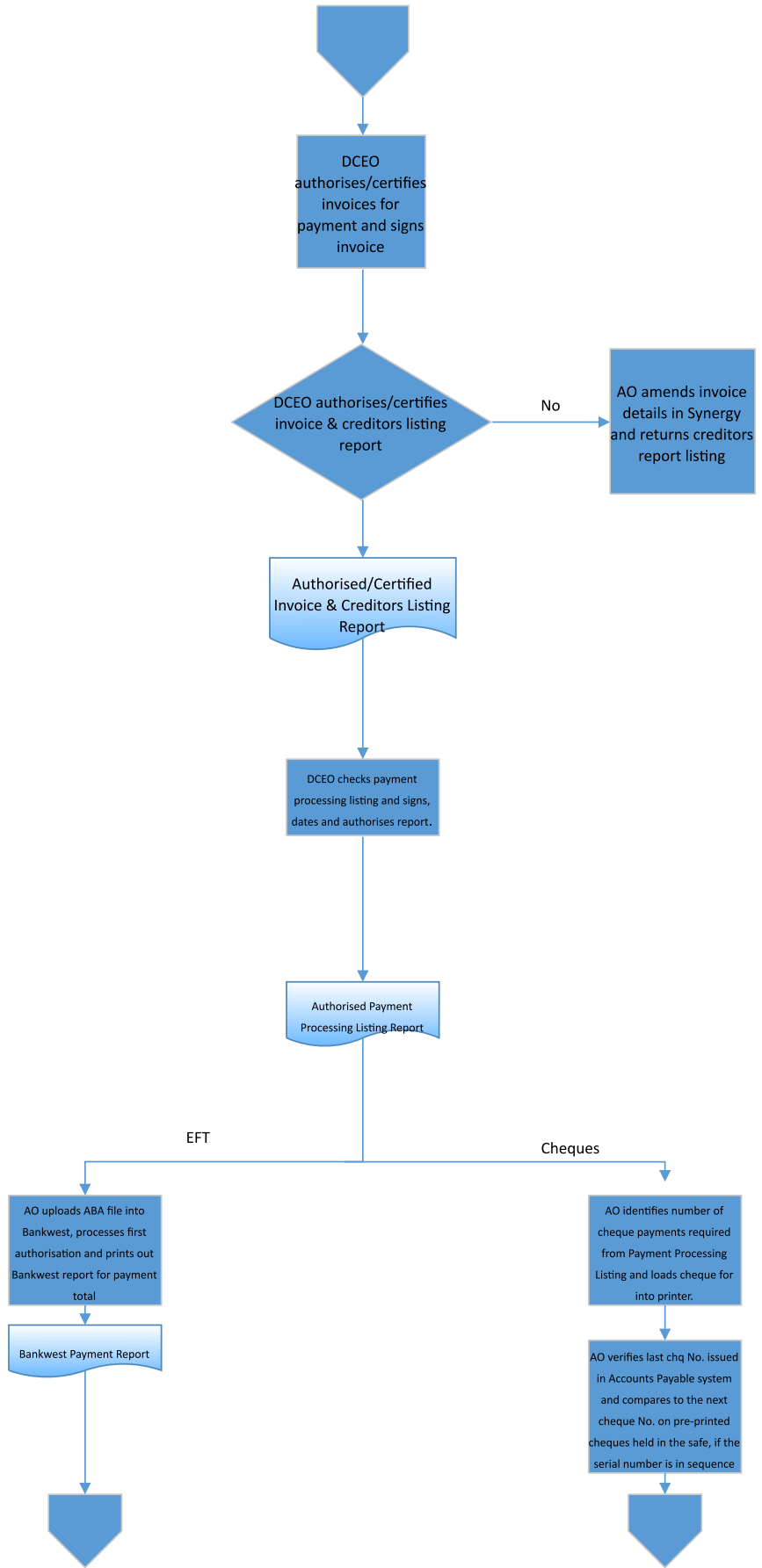


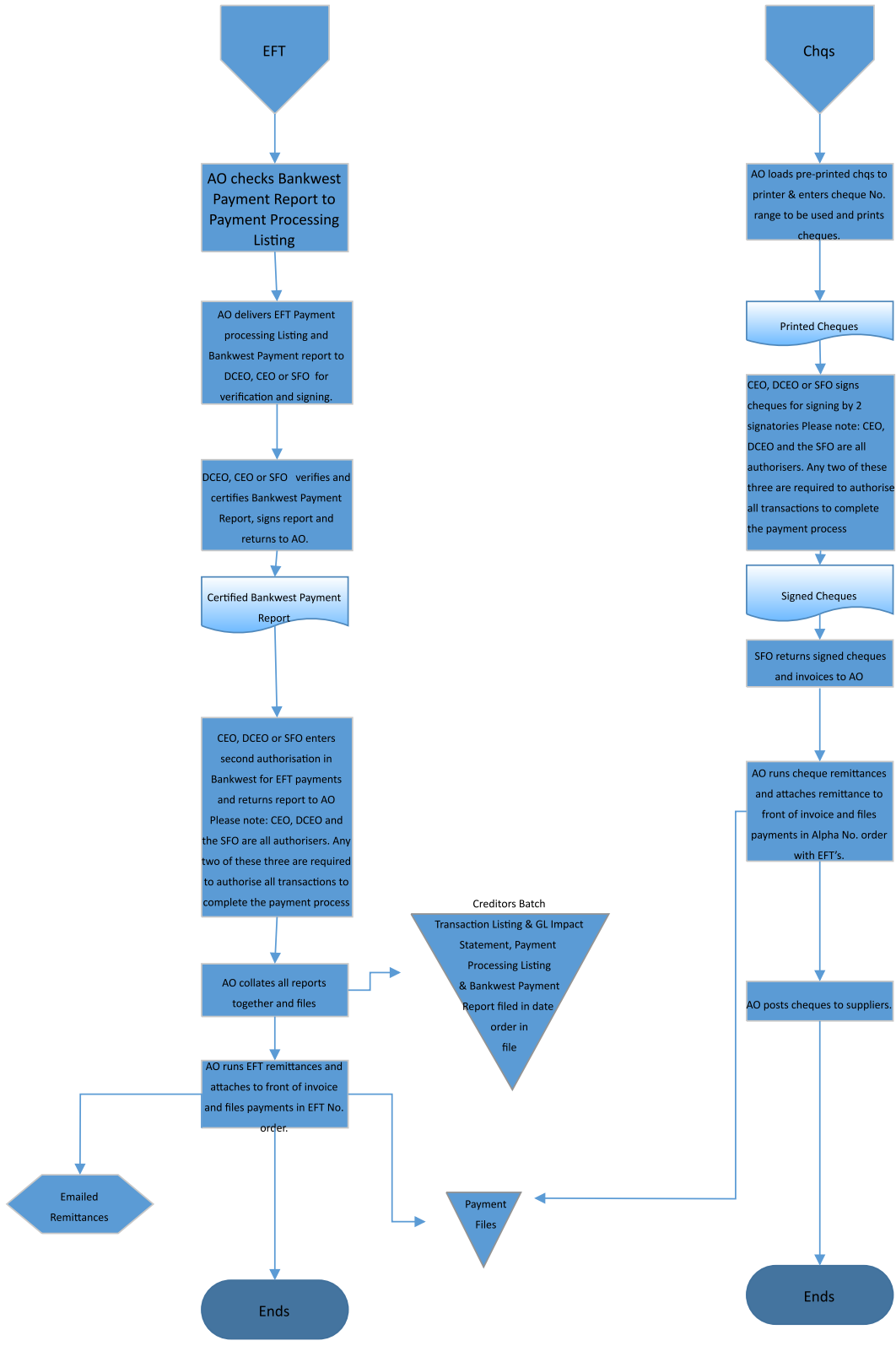
ATTACHMENT 3  
PURCHASES, PAYMENTS & PAYABLES  
PROCESS MAP

# Shire of Jerramungup

## Purchases, Payments & Payables Flowchart Process Map 26/03/2021









ATTACHMENT 4  
PAYROLL  
PROCESS MAP

