

# SHIRE OF TRAYNING

## Financial Management Review June 2020



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# EXECUTIVE SUMMARY

## Introduction

### Financial Management Review

Pursuant to Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*, the Chief Executive Officer of a local government is to establish efficient systems and procedures 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 3 financial years) and report to the local government the results of those reviews.

## Findings

### Proper Collection of All Money Owing to the Shire

- (1) The Accounts Receivable process has the following weakness:
  - (a) There is no check performed by a supervisor of the customer invoices generated from data entered into SynergySoft and the supporting documentation provided, via a batch listing report. This independent check would provide internal control measures that data entry is occurring correctly including GST being reported appropriately.
  - (b) Records indicate that long outstanding debts are not actively pursued via a debt collection agency or legal action.

## **Safe Custody and Security of all Money Collected and held by the Shire**

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- (2) The Council has not complied with the requirements of Regulation 19(2), in maintaining an up-to-date Investment Register.

## **Proper Maintenance and Security of the Shire's Financial Records**

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- (3) The Shire does not have a formal IT disaster recovery plan (DRP) in place at this stage, but is in discussions with its IT provider for a DRP to be prepared.

## **Ensure Proper Accounting for all Income, Expenditure, Assets, Liabilities of the Municipal and Trust Funds**

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- (4) The Accounts Payable has the following weaknesses:
- (a) There is insufficient supporting documentation to test whether a purchase has complied with Council's purchasing policy requirements in relation to two verbal quotes for purchases over \$5,000 in value. It is noted that there are limited purchases made over this threshold.

It is suggested that consideration be given to amending the SynergySoft PO template and including a table at the bottom of the PO to allow the ordering officer to insert the details of the 2 verbal quotes obtained, including date, supplier, goods, and amount.

- (5) The Accounts Receivable process has the following weakness:
- (a) There is no check performed by a supervisor of the customer invoices generated from data entered into SynergySoft and the supporting documentation provided, via a batch listing report. This independent check would provide internal control measures that data entry is occurring correctly including GST being reported appropriately.
- (6) The Petty Cash process has the following weakness:
- (a) When a petty cash advance recoup is performed, there is no cash hand over sheet compiled and signed to verify the correct amount of cash was supplied and handed to the receiving officer.
- (7) The analysis of the 196 payments, (EFT's and cheques), revealed that:
- (a) There were a number of errors in the GST coding of supplier invoices, the majority relating to claiming GST credits on residential housing expenses. This has resulted in an overclaiming of entitled GST credits, as residential housing expenses are input taxed and no GST credits are claimable.
- (b) There were 2 instances where there was not enough supporting documentation to verify if the appropriate number of quotations had been obtained in accordance with Council's purchasing policy.

## **Proper Authorisation for the Incurring of Liabilities and Making of Payments**

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- (8) Sample testing of payments and attached supporting documentation for August 2019, November 2019 and February 2020 revealed there were 2 instances where there was possible non-compliance with the Shire's Purchasing and Tender Policy (not enough supporting documentation was attached to verify if the required number of verbal quotations had been obtained). A total of 196 payments were included in the sample testing.

## **Maintenance of Payroll, Stock Control and Costing Records**

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- (9) The electronic aba file for employee payroll bank transfer amounts is not deleted once it is uploaded and verified in the Westpac online platform. The deletion of the aba file would prevent the use of the electronic data for fraudulent purposes.
- (10) It was noted that the GST inclusive price was being utilised for fuel issues. Such practice will result in an over-allocation of fuel within the stock system to plant operations.

## **Preparation of Budget Accounts and Reports required by the Local Government Act and the Financial Management Regulations**

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- (11) It would be prudent for the Shire to review its informing strategies so that they are current and are reflective of the current economic, social, and political environment.

## **Internal Control Evaluation**

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- (12) The Internal Control Evaluation has identified the following weaknesses-

- (a) 30-270.2.2 – All debtor invoices raised are correctly recorded

- (i) Debtor invoices are not independently check by a supervisor for pricing and accuracy.

It is suggested that all debtor invoice batches be signed off by the preparer and be certified by a line supervisor, prior to updating to the general ledger.

- (b) 30-270.2.5 - All cash sales/miscellaneous receipts are accounted for

- (i) An investment register, recording interest earned on investments, is not currently maintained in accordance with Financial Management Regulation 19.

It is suggested that the investment register be updated with all term deposit detail as soon as possible.

- (c) 30-330.4.1 – All sales invoices are correctly calculated

- (i) A small number of fees and charges levied were not in accordance with the Schedule of Fees and Charges adopted by Council.

It is suggested that all debtor invoices be checked to supporting information and also to the Schedule of Fees and Charges via the Debtor Invoice Batch Report, prior to updating to the general ledger, by a line supervisor.

- (d) 30-330.4.3 – Overdue accounts are followed up
- (i) Debt collection process for outstanding debts is adhoc and not in accordance with Councils' debt collection policy. Currently 57% of debts are greater than 90 days old (\$20,996 of \$36,563), with the majority greater than 1 year old.

It is suggested that the CEO implement a more rigorous follow-up of delinquent debtors, with reviews being conducted at the end of each month with recovery action approved by the CEO.

- (e) 31-250.1.2 – All payments made are adequately supported by documentation
- (i) A small number of supplier invoices relating to residential housing were incorrectly coded for GST purposes, resulting in an overclaiming of GST credits.
- (ii) A small number of supplier invoices have been incorrectly coded for GST purposes, where the supplier has an ABN but is not registered for GST, resulting in an overclaiming of GST credits.

The Manager Financial Services corrected these transactions at the time of identification. Job and general ledger accounts have now been coded to ensure that any expenses posted to residential housing jobs are automatically coded with the correct GST code, preventing this error from occurring further.

The identification of GST has been made difficult as the supplier has not separately shown if GST is applicable. In these instances, it is recommended that employees make use of the ABN lookup website, which allows users to search the Australian Business Register and check to see if a supplier has a valid ABN and also whether they are registered for GST. This will ensure the correct GST claim is made based on the up to date information on the supplier.

- (f) 31-330 - All payment amounts are correctly recorded and posted to correct accounts
- (i) A small number of supplier invoices relating to residential housing were incorrectly coded for GST purposes, resulting in an overclaiming of GST credits.
- (ii) A small number of supplier invoices have been incorrectly coded for GST purposes, where the supplier has an ABN but is not registered for GST, resulting in an overclaiming of GST credits.

The Manager Financial Services corrected these transactions at the time of identification. Job and general ledger accounts have now been coded to ensure that any expenses posted to residential housing jobs are automatically coded with the correct GST code, preventing this error from occurring further.

The identification of GST has been made difficult as the supplier has not separately shown if GST is applicable. In these instances, it is recommended that employees make use of the ABN lookup website, which allows users to search the Australian Business Register and check to see if a supplier has a valid ABN and also whether they are registered for GST. This will ensure the correct GST claim is made based on the most up to date information about the supplier.

- (g) 32-270.2.3 – All property, plant and equipment acquired is properly recorded
- (i) A portable and attractive items register is not currently maintained in accordance with Financial Management Regulation 17B.

It is suggested that a Portable and Attractive Items Register be implemented as part of the end of year process for audit purposes.

- (h) 33-270 - All stock transactions are accurately recorded in the stock records and posted to the correct accounts
- (i) The calculation of fuel issues allocated to plant on a monthly basis incorrectly uses the GST inclusive price; the price should be GST exclusive.

It is suggested that the charge out rate for fuel issues should be the last purchase price for the month excluding GST. This pricing issue was corrected at the time of the review.

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## Recommendations

As a result of the findings, the following improvement recommendations are made:

- (1) The CEO implement new internal control procedures for the Accounts Receivable process where the MFS undertakes the role of checking customer invoices raised and to certify debtor batch listings by verifying the supporting documentation, to the Fees and Charges Schedule, and the debtor invoice batch report. Checking that the correct GST coding has been used and that the correct invoice amount has been entered is required.
- (2) The CEO consider implementing a more rigorous follow-up procedure for delinquent debtors, with reviews being conducted at the end of each month with recovery action approved by the CEO.
- (3) That the CEO implement the use of an Investment Register that complies with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996* requirements.
- (4) The Council prepare a formal IT Disaster Recovery Plan to ensure the Shire can appropriately respond and recover from a disaster event.
- (5) That the CEO implement new internal control processes to the purchase order process by amending the SynergySoft PO template and including a table at the bottom of the PO to allow the ordering officer to insert the details of the 2 verbal quotes obtained, including date, supplier, goods, and amount.
- (6) That the CEO implement new internal control procedures to the Accounts Receivable process so all debtor invoices are checked to supporting information, also to the Schedule of Fees and Charges, and to the Debtor Invoice Batch Report, by a line supervisor, prior to updating to the general ledger.
- (7) That the CEO implement new internal control procedures to the Petty Cash process so that a cash hand over sheet is compiled and signed to verify the correct amount of cash was supplied and handed to the receiving officer.

- (8) That the CEO implement new internal control procedures to the Payroll process where the payroll aba transfer file is deleted from the server after it has been uploaded and verified in the WBC online platform.
- (9) That the CEO implement new internal control procedures to the Stock/Inventories process so that the GST Exclusive price for the average cost per litre of fuel is utilised.
- (10) That Council place a priority on the review of its informing strategies under the IPR framework.
- (11) That the CEO prepare a report for Council to consider what action, if any, needs to be taken to address the weaknesses identified in relation to the Internal Control Evaluation.
- (12) That Council consider the suitability of the model policies provided in Attachment 1.

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## Opinion

### Financial Management Review

The review of the Financial Management Systems and Procedures developed by the Shire of Trayning indicates that, except for those matters identified in the findings and recommendations section of this report, they are appropriate and effective for the particular operations and size of the Shire. In addition, the review has concluded that, except where indicated in this report, the Shire has observed the requirements of the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

## 1.0 INTRODUCTION

### 1.1 BACKGROUND

Pursuant to Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*, the Chief Executive Officer of a local government is to establish efficient systems and procedures 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 3 financial years) and report to the local government the results of those reviews.

### 1.2 PURPOSE OF REPORT

The Shire of Trayning appointed Darren Long Consulting to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures of the local government (not less than once in every 3 financial years) and report to the local government the results of those reviews; and

### 1.3 METHODOLOGY

The methodology adopted to undertake the Reviews and prepare this report included:

- (1) Introduction
- (2) Proper Collection of all Money Owing to the Shire
- (3) Safe Custody and Security of all Money Collected and Held by the Shire
- (4) Proper Maintenance and Security of the Shire's Financial Records

- (5) Ensure Proper Accounting for All Income, Expenditure, Assets and Liabilities of the Municipal and Trust Funds
- (6) Proper Authorisation for the Incurring of Liabilities and Making of Payments
- (7) Maintenance of Payroll, Stock Control and Costing Records
- (8) Preparation of Budget Accounts and Reports Required by the Local Government Act 1995 and Local Government Financial Management) Regulations 1996
- (9) Internal Control Evaluation
- (10) Registers
- (11) Other Matters
- (12) Findings
- (13) Recommendations
- (14) Opinion

## 2.0 PROPER COLLECTION OF ALL MONEY OWING TO THE SHIRE

### 2.1 LATE PAYMENT INTEREST CHARGE FOR RATES

The Shire, as part of its 2019/20 budget adoption process, imposed a late payment penalty interest charge of 11% on all unpaid rates and service charges, pursuant to Section 6.51 of the Local Government Act 1995 and Financial Management Regulation 71.

### 2.2 INSTALMENT INTEREST CHARGE

The Shire, as part of its 2019/20 budget adoption process, imposed a rates and service instalment interest charge of 5.5%, pursuant to Section 6.45(4)(e) of the Local Government Act 1995, and Financial Management Regulation 68.

### 2.3 ADMINISTRATION FEE FOR RATES INSTALMENT PAYMENTS

The Shire, as part of its 2019/20 budget adoption process, imposed an administration fee of \$15.00 per instalment notice, pursuant to Section 6.45(4)(e) of the Local Government Act 1995, and Financial Management Regulation 67.

### 2.4 ALTERNATIVE PAYMENT OPTION ADMINISTRATION FEE

The Shire has not delegated authority to the Chief Executive Officer to determine applications for alternative rate payment options, where the payment options differ from those adopted as part of the Annual Budget. A fee is imposed for approved alternative payment options of \$15 per instalment.

### 2.5 DISCOUNTS OFFERED ON CURRENT RATES

The Shire offers a 5% discount on rates to any ratepayer who pays their rates within 35 days of the date of service appearing on the rate notice.

### 2.6 LATE PAYMENT INTEREST CHARGE ON MONEY OWED TO THE SHIRE

The Shire has not imposed a late payment penalty interest charge on other money owed to the Shire, other than rates.

### 2.7 OUTSTANDING RATES RATIO

The outstanding rates ratio for the 2018/19 financial year was 9.48%, a decrease of 4.68% in comparison to the previous year. The benchmark for this ratio is less than 5%.

### 2.8 RATING FUNCTION AND RATES PAYMENTS

The Shire undertakes the rating function, including the billing process, interim rating, valuation updates and instalment reminders.

Rates payments are received either over the counter at the administration centre, or by using direct deposit to the Shire’s bank account quoting the ratepayers assessment number as the reference.

Direct deposit of funds are verified to the bank statement and cross-referenced to the assessment number quoted. Once receipt of funds is verified, the transaction is receipted into the Synergy Cash Receipting System and posted to the Rates Subsidiary Ledger and General Ledger.

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### 2.9 MONEY COLLECTED FROM OUTSTATIONS

Total cash floats held in the Shire of Trayning balance sheet is \$400.00. Current cash floats on hand are as follows:

Administration Front Counter Cash register Cash Float	\$200
Administration Petty Cash Float	<u>\$200</u>
	<u>\$400</u>

The Shire has no outstations where cash is collected.

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### 2.10 POLICIES RELATING TO DEBT COLLECTION

The Shire has a Policy for the collection of outstanding rates debts and sundry debts – Finance Policy 7.6.

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### 2.11 MAPPED PROCESSES

Mapped processes for mail/cashiering and accounts receivable have been maintained by the Shire. These have been verified and checked for internal control measures.

#### Observations

Analysis of the mapped processes indicates there are weaknesses present:

Accounts Receivable mapped process weaknesses:

- (a) There is no check performed by a supervisor of the customer invoices generated from data entered into SynergySoft and the supporting documentation provided, via a batch listing report. This independent check would provide internal control measures that data entry is occurring correctly including GST being reported appropriately.
- (b) Long outstanding debts are not actively pursued via a debt collection agency or legal action.



## 3.0 SAFE CUSTODY AND SECURITY OF ALL MONEY COLLECTED AND HELD BY THE SHIRE

### 3.1 MONEY COLLECTED FROM OUTSTATIONS

No money is collected at outstations. All payments are made at the Shire Administration Centre.

### 3.2 BANKING OF MONEY COLLECTED

Money collected at the Shire's administration centre is banked generally fortnightly at the Westpac Bank Australia branch in Merredin.

### 3.3 ELECTRONIC FUNDS TRANSFER OF PAYMENTS

The Shire receives money via direct deposits.

The operation of direct deposits involves the use of a unique code that appears on the Shire's bank statement, allowing for easy identification of the payers' details for receipting purposes.

### 3.4 INVESTMENT OF SURPLUS FUNDS

Surplus funds are invested in accordance with section 6.14 of the Local Government Act 1995 and Regulation 19 of the Local Government (Financial Management) Regulations 1996.

Regulation 19 requires the Shire to establish a policy and internal control procedures for employees to follow, including an investment register, to ensure control over investments.

Council has adopted an Investment Policy "7.11– Investments and Surplus Funds", to ensure control over investments.

The Shire has an Investment Register template, but currently no information is recorded in the Register.

The Council has granted delegated authority (Delegation 4.4) to the Chief Executive Officer to transfer surplus funds, not required by the Shire for immediate use, to an appropriate secured investment account/term deposit.

#### Observations

The Council has not complied with the requirements of Regulation 19(2), in maintaining an up-to-date Investment Register.

### 3.5 FIDELITY INSURANCE COVER

The Shire has insurance cover for crime which includes protection for fraud, theft, forgery, and third-party computer crime with limit for any one occurrence of \$500,000.

The Shire also has cyber enterprise risk cover, with limit for any one occurrence of \$1,000,000.

## 4.0 PROPER MAINTENANCE AND SECURITY OF THE SHIRE'S FINANCIAL RECORDS

The Chief Executive Officer, pursuant to section 6.5 of the Local Government Act 1995, is to ensure that, accounts and records are kept in accordance with regulations, proper accounts and records of the transactions and affairs of the local government are kept, and to keep them up to date. Further, Regulation of the Local Government (Financial Management) Regulations 1996 requires that:

- *'No separate ward accounts are to be kept'.*

### 4.1 FINANCIAL AND ACCOUNTING RESPONSIBILITY

The Chief Executive Officer, in conjunction with the Manager Financial Services, is responsible for the financial and accounting function of the Shire. Procedures have been implemented for the maintenance and security of financial records of the Council. Those procedures, the current internal controls, and the engagement of Wallis Computing to assist with information technology support services, provides a sound foundation for the financial records to be maintained.

### 4.2 CORPORATE INFORMATION TECHNOLOGY NETWORK

The Shire's corporate network comprises the following:

- Hardware:
- 1 physical server and 1 network attached storage device for backups;
  - Administration – 7 desktop/laptop computers and associated peripherals;
  - Depot - 1 desktop/laptop computer;
  - Police Licensing – 1 stand-alone desktop computer;
  - Library – 1 stand-alone desktop computer; and
  - Swimming pool - 1 stand-alone desktop computer.
- Software:
- SynergySoft software, the Shire's financial accounting software comprising of the following modules - rates, payroll, general ledger, works/job costing, plant costing, accounts receivable, accounts payable, purchase orders, receipting, reserves, assets, bank reconciliations, dogs, property, and trust.
  - Microsoft Office for word processing and spreadsheets.
  - Trelis – Department of Transport licensing software.
  - RoMan II – an internet-based asset inventory and management system for roads.
  - Metrocount – Traffic counting software.
  - Amlib – Library book collection management software.
- Security:
- Staff are issued with an individual login and unique password to access the Shires corporate network. Individual login passwords utilised by staff accessing the financial system; passwords are not force changed every 30 days. The periodic force changing of user login passwords is considered an appropriate security practice.

The server is the key storage medium for financial records and all the accounting and financial data is maintained on the above-mentioned systems.

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#### 4.3 DATA BACKUP

The Shire utilises the services of Wallis Computing, an Information and Communications Technology company located in Dalwallinu.

The Shire utilises ShadowProtect to back up its data to a localised NAS device (Datto Siris 1TB Rackmount Drive) every hour. A full backup is performed to an off-site data centre in the Eastern States at the end of each day. Daily monitoring reports of backups are provided to the Shire by Wallis Computing.

The Shire does not have a formal IT disaster recovery plan (DRP) in place at this stage, but is in discussions with its IT provider for a DRP to be prepared.

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#### 4.4 ELECTRONIC BREAKDOWN INSURANCE

The Shire's membership of the Municipal Property Scheme provides, under section 1, electronic break down insurance cover, to a maximum of \$200,000 for any one event. Insurance cover of \$200,000, under section 2, for any one event is provided for electronic data restoration (loss of information); and cover is in place for any one event relating to increased costs of working (avoiding or diminishing interruption to the business). This provides a level of protection for the Shire should there be an instance where electronic data is lost and significant resources need to be engaged to recover or re-enter the lost data.

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#### 4.5 ADMINISTRATION CENTRE SECURITY

Council has installed a security system comprising of movement sensors. Each staff has their own security fob for access the administration centre.

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#### 4.6 STORAGE OF FINANCIAL REPORTS

Hard copies of relevant reports produced by the SynergySoft system, annual budgets, annual financial statements, and the plan for the future are retained and stored in the compactus and filing cabinets in the strong room.

## 5.0 ENSURE PROPER ACCOUNTING FOR ALL INCOME, EXPENDITURE, ASSETS, LIABILITIES OF THE MUNICIPAL AND TRUST FUNDS

### 5.1 ACCOUNTING PROCEDURES

The current accounting procedures have been structured to ensure the Shire currently complies with the requirements of the Local Government Act 1995 and its Regulations, and the Australian Accounting Standards.

### 5.2 MUNICIPAL FUND BANK ACCOUNT

The Municipal Fund bank account has been established to ensure the Shire complies with Sections 6.6, 6.7 and 6.10 of the Local Government Act 1995 and Regulations 8 and 10 of the Local Government (Financial Management) Regulations 1996.

The Shire conducts a bank reconciliation process at the end of the month utilising a manual reconciliation system, and verifies all transactions detailed on the bank statement match to those recorded in the general ledger in the SynergySoft financial system.

#### Observations

A sample test was conducted of the Municipal Fund bank reconciliation and the Reserve Accounts bank reconciliation. The amounts appearing on the bank statement were verified in the respective bank accounts on the SynergySoft system.

The Shire has appropriate procedures and processes in place to ensure the recording of the receipts and payment of monies from its Municipal Fund.

### 5.3 TRUST FUND

The Trust Fund bank account has been established to ensure the Shire complies with Sections 6.6, 6.9 and 6.10 of the Local Government Act 1995, and Regulations 8 and 10 of the Local Government (Financial Management) Regulations 1996.

The Shire conducts a bank reconciliation processes at the end of the month utilising a manual reconciliation system, and verifying all transactions detailed on the bank statement match to those recorded in the general ledger in the SynergySoft financial system.

#### Observations

A sample test was conducted of the Trust Fund bank reconciliation process, with amounts appearing on the bank statement being verified in the Trust Fund bank account on the SynergySoft system.

The Shire has appropriate procedures and processes in place to ensure the recording of the receipts and payment of monies from its Trust Fund.

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### 5.3 FINANCIAL SOFTWARE SYSTEM

The Chief Executive Officer, in conjunction with the Manager Financial Services, monitors the operations of the Financial Software System on an ongoing basis along with IT consultants Wallis Computing. Wallis Computing are contracted to provide information technology support services to the Shire. This ensures secure data protection and the Shire's financial management functions are being appropriately carried out.

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### 5.4 POSITION DESCRIPTIONS AND KEY DUTIES AND RESPONSIBILITIES

The Position Descriptions define the objectives, key duties and responsibilities for each of the accounting positions.

#### Observations

Position Descriptions have been developed for the finance related positions, and provide clear directions for the maintenance of most financial records.

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### 5.5 PROFESSIONAL DEVELOPMENT FOR STAFF

The Shire has a policy on staff training and professional development opportunities including attendance at conferences, seminars and study courses.

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### 5.6 MAPPED PROCESSES

Mapped processes for mail/cashiering, accounts receivable, accounts payable and petty cash have been maintained by the Shire. These have been verified and checked for internal control measures.

#### General Observations

Accounts Payable mapped process weaknesses:

- (a) There is insufficient supporting documentation to test whether a purchase has complied with Council's purchasing policy requirements in relation to two verbal quotes for purchases over \$5,000 in value. It is noted that there are limited purchases made over this threshold.

It is suggested that consideration be given to amending the SynergySoft PO template and including a table at the bottom of the PO to allow the ordering officer to insert the details of the 2 verbal quotes obtained, including date, supplier, goods, and amount.

Accounts Receivable mapped process weaknesses:

- (a) There is no check performed by a supervisor of the customer invoices generated from data entered into SynergySoft and the supporting documentation provided, via a batch listing report. This independent check would provide internal control measures that data entry is occurring correctly including GST being reported appropriately.

Petty Cash mapped process weaknesses:

- (a) When a petty cash advance recoup is performed, there is no cash hand over sheet compiled and signed to verify the correct amount of cash was supplied and handed to the receiving officer.

## Cheque and EFT Payment Observations

196 EFT payments for August 2019, November 2019, and February 2020, were analysed for compliance with the following:

- (a) Purchase order had been raised for purchase and was attached with suppliers' invoice to payment voucher;
- (b) Certification stamp on supplier invoice was signed by ordering or receiving officer that goods had been received in appropriate condition or services had been rendered at appropriate standard;
- (c) Certification stamp on supplier invoice was signed by ordering officer noting that computations of invoice had been checked;
- (d) Authorisation stamp on supplier invoice was signed by ordering officer or manager confirming that the invoice was approved for payment;
- (e) Purchasing policy requirements in relation to quotations or tenders had been met.

The analysis of the 196 payments revealed that:

- (a) There were a number of errors in the GST coding of supplier invoices, the majority relating to claiming GST credits on residential housing expenses. This has resulted in an overclaiming of entitled GST credits, as residential housing expenses are input taxed and no GST credits are claimable.
- (b) There were 2 instances where there was not enough supporting documentation to verify if the appropriate number of quotations had been obtained in accordance with Council's purchasing policy.

## 6.0 PROPER AUTHORISATION FOR THE INCURRING OF LIABILITIES AND MAKING OF PAYMENTS

### 6.1 AUTHORISATION OF PURCHASE ORDERS AND MAKING OF PAYMENTS

Policy “7.4 – Purchasing and Tenders Policy” adopted by Council in March 2007, and reviewed on 21 October 2015, details the purchasing thresholds for obtaining quotes and tenders.

Policy “7.1 – Creditors – Preparation for Payment” requires the CEO to ensure appropriate procedures in place for the authorisation, approval, and payment of accounts for debts incurred on behalf of the Shire.

The Council of the Shire of Trayning, through Delegation 4.3, has granted authorisation to the CEO for the making of payments from the Municipal and Trust Funds, and the reporting to Council of such payments.

Regulations 11 and 12 of the Local Government (Financial Management) Regulations 1996 have been observed in relation to the payment of accounts.

### 6.2 SIGNING OF CHEQUES AND AUTHORISING ELECTRONIC FUNDS TRANSFERS

The Council, pursuant to Section 5.42 of the Local Government Act 1995 and Delegation 4.3, has delegated the responsibility for the payment of invoices from the Municipal and Trust Funds to the Chief Executive Officer.

In accordance with section 5.44 of the Local Government Act 1995, the CEO has not on-delegated that responsibility to any other employee.

### 6.3 CORPORATE CREDIT CARD POLICY

Regulation 11 of the Local Government (Financial Management) Regulations 1996 requires a local government to:

*“develop procedures for the authorisation of, and the payment of, accounts to ensure that there is effective security for, and properly authorised use of —  
cheques, credit cards...”*

Finance Policy “7.5 – Credit Card and Store Card Facilities” provides guidance on the proper and appropriate use of corporate credit cards.

### 6.4 TENDERS REGISTER

Regulation 17 of the Local Government (Functions and General) Regulations 1996 requires local government to:

*“...keep a ‘Tenders Register’ which is to include:*

- (i) a brief description of the goods or services required;*
- (ii) particulars of the making of the decision to invite tenders;*
- (iii) particulars of -*

- (A) any notice by which expressions of interest from prospective tenderers was sought;
- (B) any list of acceptable tenderers that was prepared under regulation 23(4);
- (iv) a copy of the notice of the invitation to tender;
- (v) the name of each tenderer whose tender has been opened; and
- (vi) the name of any successful tenderer.”

**Observations**

At the time of inspection it was noted that all necessary documentation required by legislation was present in the Tender Register.

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**6.5 CERTIFICATION OF INVOICES FOR PAYMENT**

The certification of invoices for payment on receipt of goods and services is the responsibility of the officer initiating the purchase order.

**Observations**

The relevant ordering or receiving officer is required to certify supplier invoices for payment prior to their entry into the Creditors system in SynergySoft.

From the sample payments reviewed, in all instances, the ordering officer certified the invoice that goods have been received or services had been rendered.

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**6.6 PURCHASING POLICY**

The Council has adopted a purchasing policy that meets the requirements of Functions and General Regulation 11A.

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**6.7 COMPLIANCE WITH COUNCIL’S PURCHASING POLICY**

It is understood that officers initiating the purchase orders and certifying the invoices for payment are fully aware of the requirements of the Shire’s adopted purchasing policy, and of the Local Government Act 1995 requirements, concerning the necessity to ensure provision has been made in the Shire’s annual budget before expenditure is incurred.

Purchasing thresholds in the Shire of Trayning Purchasing and Tender Policy 7.4 are as follows:

General-

<b>Amount of Purchase</b>	<b>Model Policy</b>
\$0 - \$5,000	Quotations not required.
\$5,001 to \$30,000	Obtain at least 2 verbal or written quotations.
\$30,001 - \$50,000	Obtain at least 2 written quotations.
\$50,001 - \$149,999	Obtain at least three written quotations containing price and specification of goods and services (with procurement decision based on all value for money considerations).
More than \$150,000	Conduct a public tender process.

## Local Sole Provider Exemption -

Amount of Purchase	Model Policy
\$0 - \$5,000	Quotations not required.
\$5,001 to \$50,000	Obtain written quotation.
\$50,001 - \$149,999	Obtain at least three written quotations containing price and specification of goods and services (with procurement decision based on all value for money considerations).
More than \$150,000	Conduct a public tender process.

### Observations

Sample testing of payments and attached supporting documentation for August 2019, November 2019 and February 2020 revealed there were 2 instances where there was possible non-compliance with the Shire's Purchasing and Tender Policy (not enough supporting documentation was attached to verify if the required number of verbal quotations had been obtained). A total of 196 payments were included in the sample testing.

It is suggested the Shire consider amending its Purchase Order template to include a small table for ordering officers to complete with the verbal quote information they have obtained (\$5,001 - \$30,000 value threshold).

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## 6.8 AUSTRALIAN TAXATION OFFICE BAS PAYMENTS

The Shire prepares Business Activity Statements (BAS) on a monthly basis and submits them to the Australian Taxation Office via the Business Portal. A review of monthly BAS returns from July 2019 to April 2020 was undertaken. The review highlighted that all BAS returns were lodged on time, with the exception of the March 2020 return, where problems with the new RAM software were encountered.

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## 6.9 MAPPED PROCESSES

Mapped process for accounts payable has been maintained by the Shire.

### Observations

Analysis of the Accounts Payable mapped process indicated there are three weaknesses present:

- (a) There is insufficient supporting documentation to test whether a purchase has complied with Council's purchasing policy requirements in relation to two verbal quotes for purchases over \$5,000 in value. It is noted that there are limited purchases made over this threshold.

It is suggested that consideration be given to amending the SynergySoft PO template and including a table at the bottom of the PO to allow the ordering officer to insert the details of the 2 verbal quotes obtained, including date, supplier, goods, and amount.

## 7.0 MAINTENANCE OF PAYROLL, STOCK CONTROL AND COSTING RECORDS

### 7.1 PAYROLL SYSTEM

The Shire's payroll system is integrated into the Synergy financial accounting System, with works costing and plant costing completed at timecard entry level. Data is posted directly in batch form, into the Shire's accounting system, updating the cost ledgers, payroll system and general ledger.

### 7.2 STOCK CONTROL

Fuel are held as Stock on Hand, with a manual register detailing stock held as at 30 June 2019.

#### Observations

The fuel Stock/Stores system in Synergy has not been implemented.

It was noted that the GST inclusive price was being utilised for fuel issues. Such practice will result in an over-allocation of fuel within the stock system to plant operations.

The diesel fuel stock on hand is very minor and considered immaterial in the context of the operations of the local government. The time and cost involved in implementing a monthly stock reconciliation and allocation system would outweigh any benefit in minimising the risk of mis-statement involved.

### 7.3 COSTING RECORDS

The Shire operates a subsidiary cost ledger within its financial accounting software.

Plant utilisation is recorded on the daily timecard prepared by staff and certified by the Works Manager. The data recorded on the timecard is entered into the SynergySoft via timecard entry and is posted directly to the Shires works costing and plant costing ledgers, and then updated to the general ledger.

### 7.4 MAPPED PROCESSES

A mapped process for payroll has been maintained by the Shire.

#### Observations

Analysis of the mapped process for payroll indicated there is one minor weakness present:

- (a) The electronic aba file for employee payroll bank transfer amounts is not deleted once it is uploaded and verified in the WBC online platform. The deletion of the aba file after it is uploaded would prevent the use of the electronic data for fraudulent purposes.

## 8.0 PREPARATION OF BUDGET ACCOUNTS AND REPORTS REQUIRED BY THE LOCAL GOVERNMENT ACT AND THE FINANCIAL MANAGEMENT REGULATIONS

### 8.1 PREPARATION OF ANNUAL BUDGET AND ANNUAL FINANCIAL REPORT

The Shire prepares its annual budgets and annual financial statements with the assistance of a financial consultant, and has complied with the requirements of the *Local Government Act 1995* and its associated regulations.

### 8.2 PLAN FOR THE FUTURE

The Shire has developed a Plan for the Future, including a Strategic Community Plan (last adopted in 2019) and a Corporate Business Plan (last adopted in February 2020).

The Shire has a range of informing strategies including Long Term Financial Plan (last adopted in 2017), an Asset Management Plan (last adopted in May 2013), and a Workforce Plan (last adopted in May 2017).

#### Observations

It is essential that the Shire prepare Asset Management Plans for all relevant asset classes as a matter of urgency, as the projected renewal requirements from the Asset Management Plans are required to report on the Asset Renewal Funding Ratio in the Annual Financial Report.

It would be prudent for the Shire to review its remaining informing strategies so that they are current and are reflective of the current economic, social, and political environment.

### 8.3 FEES AND CHARGES

Systems and procedures have been established for reviews of fees and charges to be undertaken at least once in each financial year. This review is carried out during the annual budget preparation process and the basis of determining fees and charges takes into account the specific requirements of section 6.16 to 6.19 of the Local Government Act 1995.

The 2019/20 Schedule of Fees and Charges was adopted by the Council at its special meeting on 30 July 2019 via Resolution 07-2019.92.

### 8.4 PRESENTATION OF MONTHLY FINANCIAL REPORTS TO COUNCIL

The following reports are presented on a monthly basis to Council for consideration:

- (a) Statement of Financial Activity by Nature/Type and by Program;
- (b) Explanation of Material Variances;
- (c) Net Current Funding Position;
- (d) Other Supporting Notes; and
- (e) List of payments detailing invoice payments made and to be endorsed by the Council;

The financial reports presented to Council are in accordance with section 6.4 of the Local Government Act 1995 and Local Government (Financial Management) Regulation 34 and Regulation 12 and 13.

## 9.0 INTERNAL CONTROL EVALUATION

Internal control is defined as a process effected by the Council and management designed to provide reasonable assurance regarding the achievement of objectives in the following categories-

- (1) Reliability of financial reporting;
- (2) Compliance with applicable laws; and
- (3) Effectiveness and efficiency of operations.

The internal control systems reviewed in this report are limited to the controls that ensure financial information is accurate and reliable; compliance with laws and regulations is attained; and effective and efficient operations is achieved.

The Internal Control Evaluation Forms attached to this report summarise the control conditions evaluated for the following areas-

- (1) Sales, Debtors and Cash Receipts;
- (2) Purchases, Creditors and Cash Payments;
- (3) Property, Plant and Equipment;
- (4) Inventories and Cost of Sales;
- (5) Cash at Bank; and
- (6) Payroll.

The Evaluation Forms also identify any weaknesses associated with each control objective assessed.

The Shire of Trayning has enhanced its control environment by setting policies and procedures. The segregation of duties has been examined in detail through the process maps attached to this report; and roles and responsibilities of employees verified to the position descriptions.

The Internal Control Evaluation undertaken included approvals, authorisations, reconciliations, reviews of performance, security of assets, and segregation of duties. A copy of the Internal Control Evaluation is attached at Attachment 2. The Evaluation has identified the following weaknesses for Councils consideration-

- (1) 30-270.2.2 – All sales invoices raised are correctly recorded.
  - (a) Debtor invoices are not independently check by a supervisor for pricing and accuracy.  
It is suggested that all debtor invoice batches be signed off by the preparer and be certified by a line supervisor, prior to updating to the general ledger.
- (2) 30-270.2.5 - All cash sales/miscellaneous receipts are accounted for
  - (a) An investment register, recording interest earned on investments, is not currently maintained in accordance with Financial Management Regulation 19.

It is suggested that the investment register be updated with all term deposit detail as soon as possible.

(3) 30-330.4.1 – Sales invoices are correctly calculated

- (a) A small number of fees and charges levied were not in accordance with the Schedule of Fees and Charges adopted by Council.

It is suggested that all debtor invoices be checked to supporting information and also to the Schedule of Fees and Charges via the Debtor Invoice Batch Report, prior to updating to the general ledger.

It is recommended that the Manager Financial Services undertake the checking of debtor invoices raised and to certify debtor batch listings to improve internal controls.

(4) 30-330.4.3 – Overdue accounts are followed up

- (a) Debt collection process for outstanding debts is adhoc and not in accordance with Councils' debt collection policy.

It is suggested that Council's debt collection policy be followed, or the policy be amended to reflect current practice.

(5) 31-250.1.2 – All payments made are adequately supported by documentation

- (a) A small number of supplier invoices relating to residential housing were incorrectly coded for GST purposes, resulting in an overclaiming of GST credits.

The Manager Financial Services corrected these transactions at the time of identification. Job and general ledger accounts have now been coded to ensure that any expenses posted to residential housing jobs are automatically coded with the correct GST code, preventing this error from occurring further.

- (b) A small number of supplier invoices have been incorrectly coded for GST purposes, where the supplier has an ABN but is not registered for GST, resulting in an overclaiming of GST credits.

The identification of GST has been made difficult as the supplier has not separately shown if GST is applicable. In these instances, it is recommended that employees make use of the ABN lookup website, which allows users to search the Australian Business Register and check to see if a supplier has a valid ABN and also whether they are registered for GST. This will ensure the correct GST claim is made based on the up to date information on the supplier.

(6) 31-330 – All payment amounts are correctly recorded and posted to correct accounts

- (a) A small number of supplier invoices relating to residential housing were incorrectly coded for GST purposes, resulting in an overclaiming of GST credits.

The Manager Financial Services corrected these transactions at the time of identification. Job and general ledger accounts have now been coded to ensure that any expenses posted to residential housing jobs are automatically coded with the correct GST code, preventing this error from occurring further.

- (b) A small number of supplier invoices have been incorrectly coded for GST purposes, where the supplier has an ABN but is not registered for GST, resulting in an overclaiming of GST credits.

The identification of GST has been made difficult as the supplier has not separately shown if GST is applicable. In these instances, it is recommended that employees make use of the ABN lookup website, which allows users to search the Australian Business Register and check to see if a supplier has a valid ABN and also whether they are registered for GST. This will ensure the correct GST claim is made based on the up to date information on the supplier.

(7) 32-270.2.3 – All property, plant and equipment acquired is properly recorded

(a) A portable and attractive items register is not currently maintained in accordance with Financial Management Regulation 17B.

It is recommended that the Manager Financial Services implement a Portable and Attractive Items Register as part of the end of year process for audit purposes.

(8) 33-270 – All stock transactions are accurately recorded in the stock records and posted to the correct accounts

(a) The average price per litre for fuel issues includes GST, resulting in an overstating of fuel expenses.

It is recommended the price be calculated as GST exclusive to ensure fuel allocations are not overstated.

## 10.0 REGISTERS

The Local Government Act and its regulations provides that the following registers relating to financial management matters be maintained:

Tender Register	Section 3.57 of the <i>Local Government Act 1995</i> and Regulation 17 of the <i>Local Government (Functions and General) Regulations 1996</i> .
Financial Interest Register	Section 5.88(2) of the <i>Local Government Act 1995</i> and Regulation 28 of the <i>Local Government (Administration) Regulations 1996</i> .
Electoral Gifts Register	Section 4.59 of the <i>Local Government Act 1995</i> and Regulation 30G of the <i>Local Government (Election) Regulations 1997</i> .
Gifts Register (Code of Conduct)	Section 5.103(3) of the <i>Local Government Act 1995</i> and Regulation 34B(3) of the <i>Local Government (Administration) Regulations 1996</i> .
Annual Return	Section 5.76 of the <i>Local Government Act 1995</i> and Regulation 23 of the <i>Local Government (Administration) Regulations 1996</i> .
Primary Return	Section 5.75 of the <i>Local Government Act 1995</i> and Regulation 22 of the <i>Local Government (Administration) Regulations 1996</i> .
Investment Register	Regulation 19 of the <i>Local Government (Financial Management) Regulations 1996</i> .

### Observations

A review undertaken revealed that all the above-mentioned registers, except the Investment Register, are maintained in accordance with the legislation by the Shire.

The Shire currently does not maintain an Investment Register that meets the requirements of Regulation 19 of the *Local Government (Financial Management) Regulations 1996*.

## 11.0 OTHER MATTERS

In order to undertake a review of the appropriateness and effectiveness of the Shire's Financial Management Systems and procedures it was necessary to carry out a review of the Shire's financial delegations and policies.

Areas where a Policy would be of benefit are included at Attachment 1.

## 12.0 FINDINGS

### Proper Collection of All Money Owing to the Shire

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- (1) The Accounts Receivable process has the following weakness:
  - (a) There is no check performed by a supervisor of the customer invoices generated from data entered into SynergySoft and the supporting documentation provided, via a batch listing report. This independent check would provide internal control measures that data entry is occurring correctly including GST being reported appropriately.
  - (b) Records indicate that long outstanding debts are not actively pursued via a debt collection agency or legal action.

### Safe Custody and Security of all Money Collected and held by the Shire

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- (2) The Council has not complied with the requirements of Regulation 19(2), in maintaining an up-to-date Investment Register.

### Proper Maintenance and Security of the Shire's Financial Records

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- (3) The Shire does not have a formal IT disaster recovery plan (DRP) in place at this stage, but is in discussions with its IT provider for a DRP to be prepared.

### Ensure Proper Accounting for all Income, Expenditure, Assets, Liabilities of the Municipal and Trust Funds

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- (4) The Accounts Payable process has the following weaknesses:
  - (a) There is insufficient supporting documentation to test whether a purchase has complied with Council's purchasing policy requirements in relation to two verbal quotes for purchases over \$5,000 in value. It is noted that there are limited purchases made over this threshold.

It is suggested that consideration be given to amending the SynergySoft PO template and including a table at the bottom of the PO to allow the ordering officer to insert the details of the 2 verbal quotes obtained, including date, supplier, goods, and amount.

- (5) The Accounts Receivable process has the following weakness:
  - (a) There is no check performed by a supervisor of the customer invoices generated from data entered into SynergySoft and the supporting documentation provided, via a batch listing report. This independent check would provide internal control measures that data entry is occurring correctly including GST being reported appropriately.

- (6) The Petty Cash process has the following weakness:
- (a) When a petty cash advance recoup is performed, there is no cash hand over sheet compiled and signed to verify the correct amount of cash was supplied and handed to the receiving officer.
- (7) The analysis of the 196 payments, (EFT's and cheques), revealed that:
- (a) There were a number of errors in the GST coding of supplier invoices, the majority relating to claiming GST credits on residential housing expenses. This has resulted in an overclaiming of entitled GST credits, as residential housing expenses are input taxed and no GST credits are claimable.
  - (b) There were 2 instances where there was not enough supporting documentation to verify if the appropriate number of quotations had been obtained in accordance with Council's purchasing policy.

### **Proper Authorisation for the Incurring of Liabilities and Making of Payments**

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- (8) Sample testing of payments and attached supporting documentation for August 2019, November 2019 and February 2020 revealed there were 2 instances where there was possible non-compliance with the Shire's Purchasing and Tender Policy (not enough supporting documentation was attached to verify if the required number of verbal quotations had been obtained). A total of 196 payments were included in the sample testing.

### **Maintenance of Payroll, Stock Control and Costing Records**

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- (9) The electronic aba file for employee payroll bank transfer amounts is not deleted once it is uploaded and verified in the Westpac online platform. The deletion of the aba file would prevent the use of the electronic data for fraudulent purposes.
- (10) It was noted that the GST inclusive price was being utilised for fuel issues. Such practice will result in an over-allocation of fuel within the stock system to plant operations.

### **Preparation of Budget Accounts and Reports required by the Local Government Act and the Financial Management Regulations**

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- (11) It would be prudent for the Shire to review its informing strategies so that they are current and are reflective of the current economic, social, and political environment.

### **Internal Control Evaluation**

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- (12) The Internal Control Evaluation has identified the following weaknesses-
- (a) 30-270.2.2 – All debtor invoices raised are correctly recorded
    - (i) Debtor invoices are not independently check by a supervisor for pricing and accuracy.

It is suggested that all debtor invoice batches be signed off by the preparer and be certified by a line supervisor, prior to updating to the general ledger.

- (b) 30-270.2.5 - All cash sales/miscellaneous receipts are accounted for
- (i) An investment register, recording interest earned on investments, is not currently maintained in accordance with Financial Management Regulation 19.

It is suggested that the investment register be updated with all term deposit detail as soon as possible.

- (c) 30-330.4.1 – All sales invoices are correctly calculated
- (i) A small number of fees and charges levied were not in accordance with the Schedule of Fees and Charges adopted by Council.

It is suggested that all debtor invoices be checked to supporting information and also to the Schedule of Fees and Charges via the Debtor Invoice Batch Report, prior to updating to the general ledger, by a line supervisor.

- (d) 30-330.4.3 – Overdue accounts are followed up
- (i) Debt collection process for outstanding debts is adhoc and not in accordance with Councils' debt collection policy. Currently 57% of debts are greater than 90 days old (\$20,996 of \$36,563), with the majority greater than 1 year old.

It is suggested that Council implement a more rigorous follow-up of delinquent debtors, with reviews being conducted at the end of each month with recovery action approved by the CEO.

- (e) 31-250.1.2 – All payments made are adequately supported by documentation
- (i) A small number of supplier invoices relating to residential housing were incorrectly coded for GST purposes, resulting in an overclaiming of GST credits.

The Manager Financial Services corrected these transactions at the time of identification. Job and general ledger accounts have now been coded to ensure that any expenses posted to residential housing jobs are automatically coded with the correct GST code, preventing this error from occurring further.

- (ii) A small number of supplier invoices have been incorrectly coded for GST purposes, where the supplier has an ABN but is not registered for GST, resulting in an overclaiming of GST credits.

The identification of GST has been made difficult as the supplier has not separately shown if GST is applicable. In these instances, it is recommended that employees make use of the ABN lookup website, which allows users to search the Australian Business Register and check to see if a supplier has a valid ABN and also whether they are registered for GST. This will ensure the correct GST claim is made based on the up to date information on the supplier.

- (f) 31-330 - All payment amounts are correctly recorded and posted to correct accounts
- (i) A small number of supplier invoices relating to residential housing were incorrectly coded for GST purposes, resulting in an overclaiming of GST credits.

The Manager Financial Services corrected these transactions at the time of identification. Job and general ledger accounts have now been coded to ensure that any expenses posted to residential housing jobs are automatically coded with the correct GST code, preventing this error from occurring further.

- (ii) A small number of supplier invoices have been incorrectly coded for GST purposes, where the supplier has an ABN but is not registered for GST, resulting in an overclaiming of GST credits.

The identification of GST has been made difficult as the supplier has not separately shown if GST is applicable. In these instances, it is recommended that employees make use of the ABN lookup website, which allows users to search the Australian Business Register and check to see if a supplier has a valid ABN and also whether they are registered for GST. This will ensure the correct GST claim is made based on the up to date information on the supplier

- (g) 32-270.2.3 – All property, plant and equipment acquired is properly recorded
- (i) A portable and attractive items register is not currently maintained in accordance with Financial Management Regulation 17B.

It is suggested that a Portable and Attractive Items Register be implemented as part of the end of year process for audit purposes

- (h) 33-270 - All stock transactions are accurately recorded in the stock records and posted to the correct accounts

- (i) The calculation of fuel issues allocated to plant on a monthly basis incorrectly uses the GST inclusive price; the price should be GST exclusive.

It is suggested that the charge out rate for fuel issues should be the last purchase price for the month excluding GST. This pricing issue was corrected at the time of the review.

## 13.0 IMPROVEMENT RECOMMENDATIONS

As a result of the findings, the following improvement recommendations are made:

- (1) The CEO implement new internal control procedures for the Accounts Receivable process where the MFS undertakes the role of checking customer invoices raised and to certify debtor batch listings by verifying the supporting documentation, to the Fees and Charges Schedule, and the debtor invoice batch report. Checking that the correct GST coding has been used and that the correct invoice amount has been entered is required.
- (2) The CEO consider implementing a more rigorous follow-up procedure for delinquent debtors, with reviews being conducted at the end of each month with recovery action approved by the CEO.
- (3) That the CEO implement the use of an Investment Register that complies with the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996* requirements.
- (4) The Council prepare a formal IT Disaster Recovery Plan to ensure the Shire can appropriately respond and recover from a disaster event.
- (5) That the CEO implement new internal control processes to the purchase order process by amending the SynergySoft PO template and including a table at the bottom of the PO to allow the ordering officer to insert the details of the 2 verbal quotes obtained, including date, supplier, goods, and amount.
- (6) That the CEO implement new internal control procedures to the Accounts Receivable process so all debtor invoices are checked to supporting information, also to the Schedule of Fees and Charges, and to the Debtor Invoice Batch Report, by a line supervisor, prior to updating to the general ledger.
- (7) That the CEO implement new internal control procedures to the Petty Cash process so that a cash hand over sheet is compiled and signed to verify the correct amount of cash was supplied and handed to the receiving officer.
- (8) That the CEO implement new internal control procedures to the Payroll process where the payroll aba transfer file is deleted from the server after it has been uploaded and verified in the WBC online platform.
- (9) That the CEO implement new internal control procedures to the Stock/Inventories process so that the GST Exclusive price for the average cost per litre of fuel is utilised.
- (10) That Council place a priority on the review of its informing strategies under the IPR framework.
- (11) That the CEO prepare a report for Council to consider what action, if any, needs to be taken to address the weaknesses identified in relation to the Internal Control Evaluation.
- (12) That Council consider the suitability of the model Policies provided in Attachment 1.

## 14.0 OPINION

The review of the Financial Management Systems and Procedures developed by the Shire of Trayning indicates that, except for those matters identified in the findings and recommendations section of this report, they are appropriate and effective for the particular operations and size of the Shire. In addition, the review has concluded that, except where indicated in this report, the Shire has observed the requirements of the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*.

# ATTACHMENT 1

## SAMPLE MODEL POLICIES

<b>Policy Type:</b>	Strategy & Governance
<b>Date Adopted:</b>	

<b>Policy No:</b>	<b>XX</b>
<b>Date Last Reviewed:</b>	

<b>Legal (Parent):</b>
1. Public Interest Disclosures Act 2003.
2.

<b>Legal (Subsidiary):</b>
1. Public Interest Disclosure Regulations 2003

Delegation of Authority Applicable	No
Delegation Number	xx

Work Procedure Applicable	Yes
Work Procedure Number	xx

<b>ADOPTED POLICY</b>	
-----------------------	--

<b>Title:</b>	<b>PUBLIC INTEREST DISCLOSURES</b>
<b>Objective:</b>	<b>To facilitate and encourage the disclosure of public interest information and provide protection to those who make disclosures.</b>

1. The principal Executive Officer, being the Chief Executive Officer of the Shire, shall comply with the following requirements under the Public Interest Disclosures Act 2003:
  - 1.1 Designate the occupant of a specified position with the authority as the person responsible for receiving disclosures of public interest information.
  - 1.2 Provide protection from detrimental action or the threat of detrimental action for any employee of the public authority who makes an appropriate disclosure of public interest information.
  - 1.3 Ensure that his or her public authority complies with this Act.
  - 1.4 Ensure that his or her public authority complies with the code established by the Commissioner under Section 20.
  - 1.5 Prepare and publish internal procedures relating to the authority's obligations under this Act.
  - 1.6 Provide information annually to the Commissioner on:
    - (a) The number of public interest disclosures received by a responsible officer of the authority over the report period;
    - (b) The results of any investigations conducted as a result of the disclosures and the action, if any, taken as a result of each investigation; and
    - (c) Such other matters as are prescribed.
  - 1.7 Provide awareness training to all new employees through the induction process, in accordance with provisions of the Public Interest Act 2003.
2. The internal procedures relating to the Council's obligations under the Public Interest Disclosure Act 2003 are contained in the document titled "Internal Procedures - Public Interest Disclosure Guidelines".

<b>Policy Type:</b>	
<b>Date Adopted:</b>	

<b>Policy No:</b>	<b>XX</b>
<b>Date Last Reviewed:</b>	

<b>Legal (Parent):</b> <ol style="list-style-type: none"> <li>Local Government Act 1995 (As Amended) – Section 6.5.</li> <li>Local Government Act 1995 (As Amended) – Section 7.13.</li> </ol>
--

<b>Legal (Subsidiary):</b> <ol style="list-style-type: none"> <li>Regulation 5, Local Government (Financial Management) Regulations 1996.</li> <li>Regulation 17, Local Government (Audit) Regulations 1996.</li> </ol>
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<b>Delegation of Authority Applicable</b>	Yes/No
<b>Delegation Number</b>	

<b>Work Procedure Applicable</b>	
<b>Work Procedure Number</b>	

<b>ADOPTED POLICY</b>	
<b>Title:</b>	<b>INTERNAL CONTROL POLICY</b>
<b>Objective:</b>	<b>To provide a policy framework for the establishment of documented internal controls that are implemented based on risk management principles.</b>

1.0 General

Systems of policies and procedures that safeguard assets, ensure accurate and reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations. These systems not only relate to accounting and reporting but also include communication and organisational processes both internally and externally, staff management and error handling.

2.0 Internal Control Framework

An appropriate and effective internal control framework is the responsibility of all employees. All employees are accountable for implementing systems, controls, processes, and procedures in their own area of responsibility and will play a part in the internal control framework in differing degrees.

The Audit Committee and Council are responsible for mandating that a strong internal control framework be implemented in order to have assurance of the good governance of the organisation. The Chief Executive Officer will report regularly to the Audit Committee and Council on the review and improvement to Council's internal control framework.

3.0 Monitoring, Reviewing and Reporting

A monitoring and reporting system will be implemented with will provide biannual reports to management, the Audit Committee and Council on the status of Risk Management, Internal Controls and Legislative Compliance within the local government, which will identify for specific areas for review.

<b>Policy Type:</b>	
<b>Date Adopted:</b>	

<b>Policy No:</b>	<b>XX</b>
<b>Date Last Reviewed:</b>	

<b>Legal (Parent):</b>
<ol style="list-style-type: none"> <li>1. Local Government Act 1995 (As Amended) – Section 6.5.</li> <li>2. Local Government Act 1995 (As Amended) – Section 7.13.</li> </ol>

<b>Legal (Subsidiary):</b>
<ol style="list-style-type: none"> <li>1. Regulation 5, Local Government (Financial Management) Regulations 1996;</li> <li>2. Regulation 17, Local Government (Audit) Regulations 1996.</li> </ol>

<b>Delegation of Authority Applicable</b>	No
<b>Delegation Number</b>	

<b>Work Procedure Applicable</b>	<b>Yes</b>
<b>Work Procedure Number</b>	XX

ADOPTED POLICY	
<b>Title:</b>	<b>LEGISLATIVE COMPLIANCE POLICY</b>
<b>Objective:</b>	<b>To provide a policy framework for the establishment of documented processes and procedures to ensure the local government complies with legislative requirements</b>

1.0 General

The local government will have appropriate processes and structures in place to ensure that legislative requirements are achievable and are integrated into the operations of the local government.

These processes and structures will aim to:-

- Develop and maintain a system for identifying the legislation that applies to the Shire's activities.
- Assign responsibilities for ensuring that legislation and regulatory obligations are fully implemented.
- Provide training for relevant staff, Councillors, volunteers and other relevant people in the legislative requirements that affect them.
- Provide people with the resources to identify and remain up-to-date with new legislation.
- Establish a mechanism for reporting non-compliance.
- Review accidents, incidents and other situations where there may have been non-compliance.
- Review audit reports, incident reports, complaints and other information to assess how the systems of compliance can be improved.

## 2.0 Roles and Responsibilities

### (a) Councillors and Committee Members

Councillors and Committee members have a responsibility to be aware and abide by legislation applicable to their role.

### (b) Senior Management

Senior Management should ensure that directions relating to compliance are clear and unequivocal and that legal requirements which apply to each activity for which they are responsible are identified. Senior Management should have systems in place to ensure that all staff are given the opportunity to be kept fully informed, briefed and/or trained about key legal requirements relative to their work within the financial capacity to do so.

### (c) Employees

Employees have a duty to seek information on legislative requirements applicable to their area of work and to comply with the legislation.

Employees shall report through their supervisors to Senior Management any areas of non-compliance that they become aware of.

## 3.0 Implementation of Legislation

The local government will have procedures in place to ensure that when legislation changes, steps are taken to ensure that future actions comply with the amended legislation.

**ATTACHMENT 2  
INTERNAL CONTROL  
EVALUATION WORKSHEETS  
(AS THEY APPLY TO LOCAL GOVERNMENT)**

# Audit Workpapers Plus

Version: 01.03.0003

Client Details			
Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	5-Mar-2020

Reviewing Outstanding Items		
Worksheet	Description	Error Description
<a href="#">¶30-270 2.2</a>	Internal Control Evaluation Form Sales, Debtors & Cash Receipts - Existence / Occurrence 2.2 All sales invoiced are correctly recorded in the accounts	Invoices are not independently checked by supervisor for pricing and accuracy.
<a href="#">¶30-270 2.5</a>	Internal Control Evaluation Form Sales, Debtors & Cash Receipts - Existence / Occurrence 2.4 All cash sales/miscellaneous receipts are accounted for	Investment register not currently maintained in accordance with FMR 19.
<a href="#">¶30-330 4.1</a>	Internal Control Evaluation Form Sales, Debtors & Cash Receipts - Existence / Occurrence 4.1 Invoices are correctly calculated	Invoices are not independently checked for pricing and accuracy. Supervision is ineffective.
<a href="#">¶30-330 4.3</a>	Internal Control Evaluation Form Sales, Debtors & Cash Receipts - Valuation / Measurement 4.3 Overdue accounts are followed up	Application of debt collection process is adhoc and not in accordance with established policy.
<a href="#">¶31-250 1.2</a>	Internal Control Evaluation Form Purchases, Creditors & Cash Payments - Existence/Occurrence 1.2 All payments made are adequately supported.	GST credits claimed for expenses when not entitled, resulting in overclaiming of GST. Investigation needs to be done to ensure suppliers are registered for GST, when they do not clearly show GST on their invoice. This can be done using the ABN Lookup website for suppliers. Monthly reconciliation of control account to subsidiary ledger should be signed by prepare and certifier.
<a href="#">¶31-330</a>	Internal Control Evaluation Form Purchases, Creditors & Cash Payments - Valuation/Measurement Amounts are correctly recorded and posted to correct accounts.	GST credits claimed for expenses when not entitled, resulting in overclaiming of GST. Investigation needs to be done to ensure suppliers are registered for GST, when they do not clearly show GST on their invoice. This can be done using the ABN Lookup website for suppliers. Monthly reconciliation of control account to subsidiary ledger should be signed by prepare and certifier.
<a href="#">¶32-270.2.3</a>	Internal Control Evaluation Form Property, Plant & Equipment - Completeness/Classification 2.3 All property, plant and equipment acquired properly recorded.	A portable and attractive items register is not currently maintained in accordance with FMR 17B. Control objective not met.
<a href="#">¶33-270</a>	Internal Control Evaluation Form Inventories - Completeness / Classification All transactions are accurately recorded in the stock records and posted to the correct accounts.	The average cost for fuel per litre currently includes GST. This results in fuel expenses being overstated by 10%. Control objective not met.

# Audit Workpapers Plus

Version: 01.03.0003

## Client Details

Client Name	Shire of Trayning		Preparer	Darren Long	
Client Code			Reviewer		
Period Start	1-Jun-2019	Period End	31-May-2020	Date Prepared	2-Jun-2020

## Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Existence / Occurrence 1.1

T30-250 1.1

Smart Review	0	Unanswered Questions	0
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*Audit assertion:* 1. Existence / Occurrence

*Control objective:* 1.1 All invoices raised are properly supported/validated by goods being dispatched.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Invoices raised are in relation to services provided as per the schedule of fees and charges, government grants, contributions, reimbursements, donations, other	M	M	In all cases, supporting documentation is provided to the Finance Admin Officer requesting the raising of invoices, albeit it is an internal document generated	Debtor Request
Checks undertaken in relation to the control objective are in the abovementioned context	M	M	For amounts received other than over the counter, invoices are raised	
Duties are segregated between invoice entry and invoice approver	M	M	Invoices raised are not verified and checked by MFS	
Charges in accordance with approved Schedule	M	M	Schedule of Fees & Charges	

Weaknesses	Impact on procedures	W/P
Fees and charges not in accordance with Schedule	Invoice 5349 9/7/2019 for \$62.50 for Teach, Learn, Grow - caravan Park shower not an approved fee/charge; Inv 5353 17/07/2019- Water Corp labour charge for private works not in accordance with Schedule, Inv 5408 29/8/2019 Labour charge not in accord with Schedule,	
Application of GST to Fees and use of correct GST coding in SynergySoft	Invoice 5350/1 10/7/2019, 5508 31/10/2019 coded as GST Free, but should be Input Taxed. Whilst no GST implications, it does not correctly classify and state sales according to GST legislation. Debtor Charge type 0025	
Application of GST to Fees and use of correct GST coding in SynergySoft	Invoice no. 5481 21/10/19 charged \$ 980.97 for 258,150 litres .Scheduled Charge \$3.80 per kl or part thereof applies. GST charged on supply of water, it should be GST Free in accordance with section 38-285 of GST Act. Inv 5482 21/10/19	
Application of GST to Fees and use of correct GST coding in SynergySoft	Inv 5584 28/1/2020 - Septic Tank application fee - GST Free under Division 81 of GST Act - GST Charged.	

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Duties are segregated, particularly in relation to ordering, dispatch, invoicing and handling of cash receipts.	✓	Y
(b) All invoices are supported by relevant delivery documentation.	✓	Y
(c) Supervision is effective.	✓	Y

# Audit Workpapers Plus

Version: 01.03.0003

Client Details					
Client Name	Shire of Trayning	Preparer	Darren Long		
Client Code		Reviewer			
Period Start	1-Jun-2019	Period End	31-May-2020	Date Prepared	2-Jun-2020

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[Goto CheckList](#)

Internal Control Evaluation Form			
Sales, Debtors and Cash Receipts - Existence / Occurrence 1.2			¶30-250 1.2
Smart Review	0	Unanswered Questions	0

*Audit assertion:* 1. Existence / Occurrence  
*Control objective:* 1.2 All invoices raised are bona-fide.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Issue of Debtor Statements at end of month	L	M	Statements are sent out to debtors on a monthly basis	
Invoices raised are in relation to services provided as per the schedule of fees and charges, government grants, contributions, reimbursements, donations,	M	M	Supporting documentation is provided to the Finance Officer requesting the raising of invoices	

Weaknesses	Impact on procedures	W/P

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Duties are segregated, particularly in relation to invoicing, credit control and handling of cash receipts.	✓	Y
(b) Invoices are promptly processed.	✓	Y
(c) Manual or non-system invoices are independently authorised.	✓	X
(d) All invoices are correctly processed and accounted for.	✓	Y
(e) Statements are promptly sent to debtors.	✓	Y
(f) Supervision is effective.	✓	Y

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Version: 01.03.0003

**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	2-Jun-2020

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### Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Completeness / Classification 2.1

130-270 2.1

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 2. Completeness / Classification  
*Control objective:* 2.1 All goods dispatched are invoiced

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Refer 30-250 1.1				

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
-------------------------------------	---

Control Conditions	Status	Answer
(a) Duties are segregated, particularly in relation to ordering, dispatch, invoicing and handling of cash receipts.	✓	Y
(b) Access to dispatch area is effectively controlled. Security prevents unauthorised movement of stock.	✓	X
(c) The preparation of sales orders and dispatch notes is properly controlled.	✓	X
(d) Continuity of dispatch notes and sales order numbers is assured.	✓	X
(e) Sales orders and dispatch notes are matched with relevant invoices.	✓	X
(f) Any unmatched and/or missing items are properly cleared.	✓	X
(g) Supervision is effective.	✓	Y

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Version: 01.03.0003

Client Details					
Client Name	Shire of Trayning		Preparer	Darren Long	
Client Code			Reviewer		
Period Start	1-Jun-2019	Period End	31-May-2020	Date Prepared	2-Jun-2020

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Internal Control Evaluation Form			
Sales, Debtors and Cash Receipts - Completeness / Classification 2.2			
<a href="#">Smart Review</a>	1	Unanswered Questions	0

*Audit assertion:* 2. Completeness / Classification  
*Control objective:* 2.2 All sales invoiced are correctly recorded in the accounts.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Sequential Number of invoices			All invoices raised are sequentially numbered	
Internal controls to verify postings to correct General Ledger Account			Sample check of postings conducted	
Check of batch report for invoice correctness and posting accuracy			All invoices are raised via SynergySoft financial software	Invoice
Duties are segregated between invoice entry and invoice approver			FO verifies and certifies, update of batch, invoices raised and sent to customer - not verified by MFS	Batch Report

Weaknesses	Impact on procedures	W/P
Invoices are not reviewed/certified by Supervisor, only by data entry officer	No independent review conducted of debtor invoices to verify their authenticity or accuracy	

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Duties are segregated, particularly in relation to invoicing, ledger maintenance and handling of cash receipts.	✓	N
(b) Prior to posting to the general ledger, there is a sequence check of all invoices.	✓	Y
(c) There are satisfactory procedures for cancelled invoices.	✓	Y
(d) Controls exist to ensure that all invoices are properly posted to the general ledger.	✓	Y
(e) An independent person performs a reconciliation of the debtor(s) subsidiary ledger to the control account.	✓	Y
(f) Supervision is effective.	✓	Y

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Version: 01.03.0003

**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	2-Jun-2020

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## Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Completeness / Classification 2.3

T30-270 2.3

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 2. Completeness / Classification  
*Control objective:* 2.3 All sales invoiced are costed and removed from the inventory account

Key Controls	Control Risk	Planned Reliance	Notes	W/P
No stock sales are made - stock is for internal use only	L	N	Only diesel fuel stock kept - journaled at year end	

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
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Control Conditions	Status	Answer
(a) Costing sheets and/or costing copies of sales invoices are independently followed up.	✓	Y
(b) Costing calculations are checked and tests are performed on gross profit by invoice or stock item.	✓	X

## Audit Workpapers Plus

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Version: 01.03.0003

### Client Details

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	2-Jun-2020

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### Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Completeness / Classification 2.4

130-270 2.4

Smart Review	0	Unanswered Questions	0
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*Audit assertion:* 2. Completeness / Classification  
*Control objective:* 2.4 All cash receipts received are deposited.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
	L	M	Sample test of daily cash receipting and bank deposit January 2020	Bank Deposit
	M	M	Banking completed fortnightly	
	L	M	Money is received at Administration Centre only, with honesty box for caravan park	
	M	M	Bank reconciliation prepared and checked monthly	
	M	M	System generated receipt issued from the SynergySoft software system at Administration Centre.	
Cash receipts are balanced to Daily Takings reconciliation worksheet	M	M	Count of cash received to cash receipts posted, EFTPOS settlement report balanced to SynergySoft EFTPOS receipts posted	End of Day Cash Receipts Report

Weaknesses	Impact on procedures	W/P

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Duties are segregated, particularly as regards recording of amounts receivable and handling of cash receipts.	✓	Y
(b) Satisfactory mail opening procedures are in place, ie two people present, cheques restrictively crossed/stamped for "deposit only", remittances recorded for checking to subsequent deposits.	✓	Y
(c) Amounts received through the mail are handed promptly to the cashier.	✓	Y
(d) Cash sales including the use of pre-numbered cash sale documents are satisfactorily controlled.	✓	Y
(e) There are satisfactory controls over amounts received at branches and other outside locations.	✓	Y
(f) All receipts are sequentially pre-numbered and adequately accounted for.	✓	Y
(g) Unexpected cash counts are conducted.	✓	X
(h) All amounts received are deposited intact and promptly.	✓	Y
(i) Daily deposit totals, debtors postings and cash sales are reconciled.	✓	Y
(j) Bank reconciliations are regularly prepared and independently checked.	✓	Y
(k) Supervision is effective.	✓	Y



# Audit Workpapers Plus

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Version: 01.03.0003

**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	2-Jun-2020

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## Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Ownership / Proprietary

P30-300

<b>Smart Review</b>	0	Unanswered Questions	0
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*Audit assertion:* 3. Ownership / Proprietary  
*Control objective:* 3.1 Receivables are properly credited, lapping is prevented.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Receivables lapping is prevented	L	M	Debtors Statements produced	
Outstanding Debts Collection policy	L	M	The Shire has a Policy for Outstanding Rates Collection and outstanding sundry debts.	
Long outstanding debts are reviewed and monitored	L	M	Finance Officer is responsible for collection of outstanding debts and the preparation of Long Outstanding Debtors Report for referral to debt collection agency, which is subject to approval by the CEO.	
Debt collection procedures implemented	L	M	Debt collection agency not currently used	
Small debts written off	L	M	Delegation 4.5 to write off small amounts less than \$30, otherwise a report to Council is prepared.	

Weaknesses	Impact on procedures	W/P

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Duties are segregated, particularly as regards credit notes, handling and recording of cash receipts.	✓	Y
(b) Credit notes and supporting documentation is authorised.	✓	Y
(c) Credit notes are sequentially pre-numbered and are approved independently of debtors clerks.	✓	Y
(d) Discounts are correctly authorised.	✓	X
(e) The preparation of the trial balance, ageing, review and follow-up of delinquent debtors accounts is performed independently of debtors clerks.	✓	Y
(f) Debtors subsidiary ledgers are balanced monthly to control accounts and are independently checked.	✓	Y
(g) Deposit slips have a detailed breakdown of receipts deposited.	✓	Y
(h) Statements have been checked to reconciled debtors balances, and are independently mailed.	✓	Y
(i) The write-off of bad debts is correctly authorised and there is satisfactory control over their subsequent recovery.	✓	X
(j) Supervision is effective.	✓	Y

## Audit Workpapers Plus

Licensed To:

Version: 01.03.0003

**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	2-Jun-2020

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### Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Valuation / Measurement 4.1

130-330 4.1

<a href="#">Smart Review</a>	2	Unanswered Questions	0
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*Audit assertion:* 4. Valuation / Measurement  
*Control objective:* 4.1 Invoices are correctly calculated.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
	M	M	Fees and Charges Schedule	
	M	M	calculations for private works undertaken by Works manager, but Schedule of Fees & Charges not correctly utilised.	Private Works Form
	M	M	Invoices are not checked and certified by Supervisor	

Weaknesses	Impact on procedures	W/P
Computations and calculations not checked to supporting document and fees and charges schedule	Invoice 5353 17/07/2019- Water Corp labour charge for private works not in accordance with Schedule. Invoice 5408 29/8/2019 Labour charge not in accord with Schedule - charged at internal rate instead of Schedule Rate of \$82.50 (Inc GST)	Private Works Form and Sundry Invoice
Invoice batches not reviewed and certified by Supervisor	Lack of internal control and potential for fraud	

Has the control objective been met? N

Control Conditions	Status	Answer
(a) Invoices are independently checked for eg prices, quantities etc.	✓	N
(b) Documents are properly cancelled to prevent duplicate invoicing.	✓	X
(c) Price lists are current and updated regularly.	✓	Y
(d) Special terms and discounts are properly authorised.	✓	X
(e) Supervision is effective.	✓	N

# Audit Workpapers Plus

Licensed To:

Version: 01.03.0003

**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	2-Jun-2020

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## Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Valuation / Measurement 4.3

T30-330 4.3

<a href="#">Smart Review</a>	1	Unanswered Questions	0
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*Audit assertion:* 4. Valuation / Measurement  
*Control objective:* 4.3 Overdue accounts are followed up.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			The Shire has a Policy for Outstanding Rates Collection and outstanding sundry debts.	
			Debt Collection Agency not currently utilised	

Weaknesses	Impact on procedures	W/P
Debt recovery timeframes are lengthy, not timely, as application of policy is adhoc.	Poor collection rate and impact on cash flow, and non-compliance with Policy Framework	

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Aged trial balances are prepared and reviewed for delinquent accounts.	✓	Y
(b) Independent follow-up occurs.	✓	N
(c) Amounts received are applied against relevant unpaid invoices.	✓	Y

# Audit Workpapers Plus

Licensed To:

Version: 01.03.0003

**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	2-Jun-2020

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## Internal Control Evaluation Form

130-350

Sales, Debtors and Cash Receipts - Cut-Off

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 5. Cut-Off

*Control objective:* 5.1 Sales are recorded in the same accounting period in which the goods were dispatched.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Debtors invoices raised promptly , test check carried out to confirm	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
-------------------------------------	---

Control Conditions	Status	Answer
(a) Dispatch records are reconciled with sales records.	✓	X
(b) All sales documentation is promptly processed after dispatch.	✓	Y
(c) Sales accounts are reconciled with sales analysis.	✓	Y
(d) Variances from the budget are analysed.	✓	Y

# Audit Workpapers Plus

Licensed To:

Version: 01.03.0003

**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	2-Jun-2020

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## Internal Control Evaluation Form

¶31-250 1.1

Purchases, Creditors and Cash Payments - Existence / Occurrence 1.1

Smart Review	0	Unanswered Questions	0
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**Audit assertion:** 1. Existence / Occurrence  
**Control objective:** 1.1 All purchases/expenses and related liabilities recorded are supported by evidence of relevant goods or services being received.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Finance Policy No 7.4 - Purchasing and Tenders Policy	M	M		Policy Manual
Delegation No 4.3 - Creditor Payments (Authority to Make Payments)	M	M		Delegation Register
Finance Policy No 7.5 Credit Card and Store Card Facilities. Card limit \$20,000	M	M		Policy Manual
Council Policy 7.3 - Regional Price Preference Policy - Compliant with F&G Reg's 24A-24G.	M	M		Policy Manual
Sample test of Vouchers from August 2019, November 2019 and February 2020 for cheques and EFT; Purchases under \$5,000 do not need written quotations, \$5,000 - \$30,000 need 2 verbal/written quotes.	M	M		Policy Manual
BAS statements checked as to lodgement by due date.	L	M		Policy Manual

Weaknesses	Impact on procedures	W/P
<b>Has the control objective been met?</b>		Y

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Receiving records are made of all goods received.	✓	Y
(c) Deliveries are checked, and claims are made for short shipments, etc.	✓	Y
(d) All invoices and receiving records are directed to accounts payable, rather than purchasing.	✓	Y
(e) Invoices are checked against purchase orders and receiving records.	✓	Y
(f) Documentation is properly cancelled to avoid re-submission.	✓	Y
(g) All documents which are not matched are investigated on a regular basis.	✓	Y
(h) Only properly supported suppliers' invoices are processed.	✓	Y
(i) Supervision is effective.	✓	Y

# Audit Workpapers Plus

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**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	2-Jun-2020

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## Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Existence / Occurrence 1.2

31-250 1.2

<b>Smart Review</b> 1	<b>Unanswered Questions</b> 0
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Audit assertion: 1. Existence / Occurrence  
Control objective: 1.2 All payments made are adequately supported.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Creditors Batch transaction listing checked and certified by appropriate officers	M	C	Batches are signed off as checked and approved, but GST posting errors were identified - primarily related to residential housing - this has now been changed internally and GST postings fixed.	
Creditors Aged Trail Balance certified monthly	L	M		
Internal Fund Transfer are done electronically, transaction sheet is printed, authorised and certified in accordance with Delegation 3001 and Policy F.04	H	C		
Reimbursement Request/Account Form utilised for cheque payment requests	M	M		

Weaknesses	Impact on procedures	W/P
GST Credits not claimed, or claimed when not entitled	GST on Winc purchases not claimed - stationery - Inv WA920 12/7/2019 EFT7802. GST claimed on Joondalup Designs Inv 19B10 EFT7786 \$2,720 15/8/19 but not registered for GST. Frankies Diner EFT7843 Inv 55 \$68.70, not registered for GST since 31/3/2019. GST claimed on SRivers Plumbing EFT7955 4/11/2019 for residential housing costs - is Input Taxed so no GST credits can be claimed. All ways Foods EFT7956 \$257.88 - GST credits claimed on food that is GST Free. Absolutely All Electrical EFT7957 - GST credits claimed on Residential Housing Expenses - is Input Taxed, No GST Credit available. KTY Electrical EFT7968 \$71.50 4/11/2019 - Residential Housing No GST Credit Claimable. Newtravel Inc \$6,500 EFT7970 claimed GST credit but not registered. Kleenheat Gas P/L EFT 7980 \$79.20 GST credits claimed on expense - residential housing so input taxed. Wheatbelt Liquid Waste EFT7981 \$880.00, residential housing no GST credit. Yelbein Store EFT7984 \$975.51 - residential housing no GST credit. Eastern Wheatbelt Electrical EFT7995 19/11/2019 - residential housing no GST Credit. Local Pest Control EFT8003 \$4,590.20 - some residential housing no GST credit. Wheatbelt Services EFT8015 \$1,435.50 19/11/2019 - residential housing GST credit. Merredin Toyota EFT8018 \$44,634.02 25/11/2019 - GST not paid on trade in value of Doctor vehicle.	
Non Compliance with purchasing Policy	KTY Electrical Services Inv 17004 \$10,758 EFT 7848 - No evidence of quotes to verify compliance with purchasing policy. Toms Tree Services Inv 373 18/10/2019 EFT7977 \$10,780 - no evidence of verbal quotes to verify compliance to purchasing policy.	
BAS statements checked as to lodgement. All lodged on time, except for march 2020 due to RAM login issues.	Potential for incurring of additional penalties if ATO not advised and extension applied for	

**Has the control objective been met? Y**

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Discounts are taken.	✓	Y
(c) Invoices are only paid when validating is complete.	✓	Y
(d) Extensions, additions, discounts, taxes, etc are checked.	✓	N
(e) Correct coding is used for posting to general ledger.	✓	Y
(f) Cheque requisition forms are used and properly authorised.	✓	Y
(g) Authorised bank signatories are appropriate, ie independent from purchasing, receiving and accounts payable.	✓	Y
(h) Documentation is properly cancelled to avoid re-submission.	✓	Y
(i) A trial balance is prepared on a monthly basis.	✓	Y
(j) Bank reconciliations are prepared regularly.	✓	Y
(k) Reconciliations are approved by a responsible person.	✓	N
(l) Pre-numbered cheques are used and continuity is checked. Controls are in place to account for unused cheques.	✓	Y
(m) Bank transfers are controlled.	✓	Y
(n) No bearer or "cash" cheques are permitted.	✓	Y
(o) Effective supervision exists.	✓	Y

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<b>Client Code</b>		<b>Reviewer</b>	
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<b>Date Prepared</b>	2-Jun-2020		

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## Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Completeness / Classification

¶31-270

<b>Smart Review</b>	0	<b>Unanswered Questions</b>	0
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*Audit assertion:* 2. Completeness / Classification

*Control objective:* 2.1 All purchases of goods or services made in the accounting period are recorded.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Sample check of invoices conducted			Sample check of invoices conducted	
Monthly Creditors Reconciliation Report checked			Sample check of report - report signed and certified by MFS	

Weaknesses	Impact on procedures	W/P

**Has the control objective been met?**  Y

**Control Conditions**

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) All unmatched documents are followed up and investigated.	✓	Y
(c) All documents are promptly and correctly processed.	✓	Y
(d) Suppliers' statements are reconciled on a regular basis.	✓	Y
(e) There are appropriate period-end procedures to detect and account for unprocessed invoices, receiving records etc.	✓	Y
(f) Subsidiary ledgers are regularly reconciled with control accounts.	✓	Y
(g) Goods delivered directly to customers are controlled promptly.	✓	X
(h) Supervision is effective.	✓	Y

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**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
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## Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Ownership / Proprietary 3.1

T31-300 3.1

<a href="#">Smart Review</a>	0		Unanswered Questions	0
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*Audit assertion:* 3. Ownership / Proprietary  
*Control objective:* 3.1 All goods or services acquired are properly authorised.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Issue of Purchase Order for all good and services acquired	M	M	CEO, MFS, MCS and WM on authorised to approve PO's. Admi officers can create PO but must be signed by authorising officer.	Purchase Order

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
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Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) All purchase requisitions, purchase orders, and cheque requisitions are approved.	✓	Y
(c) Expenditure is maintained against authorised budget.	✓	Y
(d) Supervision is effective.	✓	Y

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**Client Details**

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## Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Ownership / Proprietary 3.2

¶31-300 3.2

<a href="#">Smart Review</a>	0		Unanswered Questions	0
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*Audit assertion:* 3. Ownership / Proprietary  
*Control objective:* 3.2 All claims made on suppliers are properly recorded.

Key Controls	Control Risk	Planned Reliance	Notes	W/P

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
-------------------------------------	---

Control Conditions	Status	Answer
(a) Sequentially numbered goods returned notes are issued.	✓	X
(b) Unmatched documents are regularly investigated.	✓	Y
(c) Supervision is effective.	✓	Y

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**Client Details**

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## Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Valuation / Measurement

T31-330

<a href="#">Smart Review</a>	1	Unanswered Questions	0
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*Audit assertion:* 4. Valuation / Measurement  
*Control objective:* 4.1 Amounts are correctly recorded and posted to correct accounts.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Transaction postings via batch are checked and verified to general ledger and subsidiary ledger	M	M	Sample check of posting conducted	Accounts Payable Batch Transaction Postings Report and General Ledger Batch Transaction Report

Weaknesses	Impact on procedures	W/P
GST Credits not claimed, or claimed when not entitled	GST on Winc purchases not claimed - stationery - Inv WA920 12/7/2019 EFT7802. GST claimed on Joondalup Designs Inv 19B10 EFT7788 \$2,720 15/8/19 but not registered for GST. Frankies Diner EFT7843 Inv 55 \$68.70 , not registered for GST since 31/3/2019. GST claimed on 5Rivers Plumbing EFT7955 4/11/2019 for residential housing costs - is Input Taxed so no GST credits can be claimed. All ways Foods EFT7956 \$257.88 - GST credits claimed on food that is GST Free. Absolutely All Electrical EFT7957 - GST credits claimed on Residential Housing Expenses - is Input Taxed, No GST Credit available. KTY Electrical EFT7968 \$71.50 4/11/2019 - Residential Housing No GST Credit Claimable. Newtravel Inc \$6,500 EFT7970 claimed GST credit but not registered. Kleenheat Gas P/L EFT 7980 \$79.20 GST credits claimed on expense - residential housing so input taxed. Wheatbelt Liquid Waste EFT7981 \$860.00, residential housing no GST credit. Yelbein Store EFT7984 \$975.51 - residential housing no GST credit. Eastern Wheatbelt Electrical EFT7995 19/11/2019 - residential housing no GST Credit. Local Pest Control EFT8003 \$4,590.20 - some residential housing no GST credit. Wheatbelt Services EFT8015 \$1,435.50 19/11/2019 - residential housing GST credit. Merredin Toyota EFT8018 \$44,634.02 26/11/2019 - GST not paid on trade in value of Doctor vehicle.	
Reconciliation of subsidiary ledger is not signed by preparer and not certified by supervisor	Lack of certification creates internal control weaknesses, as unable to identify actual established balance that has been approved.	

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Amounts are recorded in the purchases journal and cash payments journal.	✓	Y
(c) Journals are properly dissected and posted to the general ledger and subsidiary ledger.	✓	N
(d) Stock records are properly updated for purchases of inventory.	✓	X
(e) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form Purchases, Creditors and Cash Payments - Cut-Off

131-350

<b>Smart Review</b>	0	Unanswered Questions	0
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*Audit assertion:* 5. Cut-Off  
*Control objective:* 5.1 Transactions are recorded in the correct accounting period.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Creditor invoices are posted to the correct accounting period	M	M	Sample check undertaken to verify invoices posted in the correct accounting period on July 2019 to Jan 2020	

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) The creditors listing is supported by goods received records.	✓	Y
(b) Unprocessed invoices are reviewed at year end.	✓	Y
(c) Open orders are reviewed.	✓	X
(d) Variances from the budget are analysed.	✓	Y

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**Client Details**

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## Internal Control Evaluation Form

Property, Plant and Equipment - Existence / Occurrence 1.1

¶32-250 1.1

<b>Smart Review</b>	0	<b>Unanswered Questions</b>	0
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*Audit assertion:* 1. Existence / Occurrence  
*Control objective:* 1.1 Assets are adequately safeguarded.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Buildings and facilities kept secure	M	M	All keys for buildings and facilities kept in strong room, a key register is maintained by the responsible officer	
Depot is kept secure	M	M	Accessibility to the depot is not restricted during working hours. Gates locked at end of day. Works staff not always on duty at the depot during working hours	
Plant & equipment is kept secure	M	M	Keys for plant and light vehicles kept in secure key box in works managers office.	
Security System installed for the Administration area, with security fobs for access	M	M		
buildings and other structures not condition inspected since 2014?	M	M		
Insurance policies reviewed annually	M	M		
Reg 17B of the Financial Management Regulations 1996 requires a local government to take all reasonable steps to protect assets from theft or loss - Portable & attractive register to be compiled.	M	M		

Weaknesses	Impact on procedures	W/P
Asset condition of assets not current	Unable to identify condition of assets and renewal works required	

**Has the control objective been met?** Y

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Unauthorised movements of assets and access to plant are restricted.	✓	Y
(c) There are adequate physical safeguards against fire, theft etc.	✓	Y
(d) Regular physical inspections are carried out and agree to assets registers.	✓	Y
(e) Insurance covers are adequate and regularly reviewed.	✓	Y
(f) Supervision is effective.	✓	Y

## Audit Workpapers Plus

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Version: 01.03.0003

**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
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### Internal Control Evaluation Form

Property, Plant and Equipment - Existence / Occurrence 1.2

¶32-250 1.2

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 1. Existence / Occurrence  
*Control objective:* 1.1 All assets recorded are adequately supported.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Asset Register kept up to date	M	M	Asset Register inspected	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
-------------------------------------	---

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) There is a written record of receipt of assets.	✓	Y
(c) Adequate inspection occurs upon delivery.	✓	Y
(d) All invoices and receipt documents are directly forwarded to accounts payable.	✓	Y
(e) Documents are cancelled to prevent re-submission.	✓	Y
(f) Only properly supported suppliers' invoices are processed.	✓	Y
(g) Supervision is effective.	✓	Y

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**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
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## Internal Control Evaluation Form

Property, Plant and Equipment - Completeness / Classification 2.1

¶32-270 2.1

<b>Smart Review</b>	0	<b>Unanswered Questions</b>	0
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*Audit assertion:* 2. Completeness / Classification  
*Control objective:* 2.1 All purchases of assets made in the accounting period are recorded.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Transaction postings via batch are checked and verified to general ledger and subsidiary ledger	L	M	Sample check of posting conducted	Accounts Payable Batch Transaction Postings Report and General Ledger Batch Transaction Report

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) There is a regular investigation of unmatched documents.	✓	Y
(c) All documents are promptly and correctly processed.	✓	Y
(d) There are controls to ensure that unprocessed invoices and related documentation at year end are detected.	✓	Y
(e) Control accounts are regularly reconciled with subsidiary ledgers.	✓	Y
(f) Supervision is effective.	✓	Y

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Client Details			
Client Name	Shire of Trayning	Preparer	Darren Long
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Internal Control Evaluation Form		¶32-270 2.2
Property, Plant and Equipment - Completeness / Classification 2.2		
<a href="#">Smart Review</a>	0	Unanswered Questions
		0

*Audit assertion:* 2. Completeness / Classification

*Control objective:* 2.2 All sales, transfers, losses and write-offs of assets made in the period are recorded.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Asset register updated with acquisitions and disposals regularly	M	M	Sample of Asset Register checked for acquisitions and disposals	

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Unauthorised movement of assets and access to plant is prevented.	✓	Y
(c) There is adequate physical safeguards against fire, theft etc.	✓	Y
(d) There are regular physical inspections carried out and agree to assets registers. Any adjustments are authorised.	✓	Y
(e) Assets registers are regularly reconciled with control accounts.	✓	Y
(f) Supervision is effective.	✓	Y

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**Client Details**

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### Internal Control Evaluation Form

Property, Plant and Equipment - Completeness / Classification 2.3

132-270 2.3

<a href="#">Smart Review</a>	1	Unanswered Questions	0
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*Audit assertion:* 2. Completeness / Classification  
*Control objective:* 2.3 All property, plant and equipment acquired properly recorded.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Inwards mail register maintained including mail payments register	M	M	Sample check of register	
Cash receipts are sequentially numbered	L	M	Sample receipts checked 7th and 29th Jan 2020	
Amounts received are deposited regularly	M	M	Sample check of deposits received through the bank deposit 7th and 29th Jan 2020	
Bank reconciliation balances	M	M	Sample of 31 March 2020 Bank reconciliation balances to GL	

Weaknesses	Impact on procedures	W/P
Bank reconciliations prepared but not signed by preparing officer or certified by supervisor in every instance	Internal control weakness with no certification that balances are correct	

**Has the control objective been met?** Y

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Satisfactory mail opening procedures are in place, ie two people present, cheques restrictively crossed/stamped for "deposit only", remittances recorded for checking to subsequent deposits.	✓	X
(c) Amounts received through the mail are handed promptly to the cashier.	✓	Y
(d) Cash sales including the use of pre-numbered cash sale documents are satisfactorily controlled.	✓	Y
(e) There are satisfactory controls over amounts received at branches and other outside locations.	✓	X
(f) All receipts are sequentially pre-numbered and adequately accounted for.	✓	Y
(g) Unexpected cash counts are conducted.	✓	X
(h) All amounts received are deposited intact and promptly.	✓	Y
(i) Daily deposit totals, debtors postings and cash sales are reconciled.	✓	Y
(j) Bank reconciliations are regularly prepared and independently checked.	✓	N
(k) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

Property, Plant and Equipment - Ownership / Proprietary 3.1

¶32-300 3.1

<b>Smart Review</b>	0	<b>Unanswered Questions</b>	0
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*Audit assertion:* 3. Ownership / Proprietary  
*Control objective:* 3.1 All purchases of assets are authorised.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Finance Policy No 7.4 - Purchasing and Tenders Policy	M	C	P.O.'s issued for all asset purchases and authorised	
Finance Policy No 7.4 - Purchasing to commit funds/incu expenditure within Budget.	M	M		
Delegation No 2.1 - Authority to Make Payments (Creditor Payments)	M	C		

Weaknesses	Impact on procedures	W/P

**Has the control objective been met?** Y

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Purchase requisitions and purchase orders are properly authorised.	✓	Y
(c) Expenditure is monitored against budget and variations analysed and approved.	✓	Y
(d) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

¶32-300 3.2

Property, Plant and Equipment - Ownership / Proprietary 3.2

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 3. Ownership / Proprietary  
*Control objective:* 3.2 All disposals of assets are authorised.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Asset disposals are properly authorised			As detailed in Annual Budget or with Council approval	

Weaknesses	Impact on procedures	W/P

**Has the control objective been met?** Y

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Documentation evidencing the ownership of assets is stored in a safe place and unauthorised access to such documents is prevented.	✓	Y
(c) Assets held by third parties are properly controlled.	✓	X
(d) All sales, transfers and write-offs must be documented and properly authorised.	✓	Y
(e) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

Property, Plant and Equipment - Valuation / Measurement

¶32-330

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 4. Valuation / Measurement  
*Control objective:* 4.1 Amounts recorded are correct and posted to correct accounts.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Capitalisation threshold is \$5000 in accordance with Reg 17A(5) of the Financial Management Regulations 1996	L	M	Acquisitions under \$5,000 are to be expensed in accordance with Reg 17A(5).	
Requirement to revalue assets based on fair value as per FM Reg 17A(2), (3) & (4)	L	M		

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
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Control Conditions	Status	Answer
(a) A detailed asset register is maintained.	✓	Y
(b) There are formal written policies and instructions regarding capitalisation of assets.	✓	X
(c) Any revaluations are approved and supported by documentary evidence.	✓	Y
(d) Depreciation policies are consistent and properly approved.	✓	Y
(e) Postings to accounts, including revaluation adjustments if any, are reviewed and approved.	✓	Y
(f) The useful lives of assets are regularly appraised and any necessary adjustments approved.	✓	Y
(g) Depreciation calculations are checked.	✓	Y
(h) Supervision is effective.	✓	Y

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**Client Details**

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### Internal Control Evaluation Form

Property, Plant and Equipment - Cut-Off

¶32-350

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 5. Cut-Off  
*Control objective:* 5.1 Transactions are recorded in the correct accounting period.

Key Controls	Control Risk	Planned Reliance	Notes	W/P

Weaknesses	Impact on procedures	W/P
Refer to 31-350		

<b>Has the control objective been met?</b>	Y
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Control Conditions	Status	Answer
(a) Unprocessed invoices and other supporting documentation are reviewed at year end.	✓	Y
(b) Variances from budget are analysed and approved.	✓	Y
(c) Supervision is effective.	✓	Y

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**Client Details**

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## Internal Control Evaluation Form

¶33-250 1.1

Inventories and Cost of Sales - Existence / Occurrence 1.1

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 1. Existence / Occurrence

*Control objective:* 1.1 Stocks and work-in-progress are adequately safeguarded.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Stok purchases are accounted for appropriately			All fuel purchases are either expensed or booked to large tanker for use	
Stock issues are accounted for appropriately			Stock issues from large tanker are recorded on fuel issues sheet and reconciled	

Weaknesses	Impact on procedures	W/P

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Unauthorised access is restricted. Valuable items are properly secured. There is a responsible storekeeper.	✓	X
(c) There is adequate protection against fire and deterioration.	✓	X
(d) Insurance cover is adequate and regularly reviewed.	✓	X
(e) Items received into stock are properly controlled.	✓	Y
(f) Stock usage and transfers are properly controlled.	✓	Y
(g) Stocks held by third parties are properly controlled.	✓	X
(h) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

¶33-250 1.2

Inventories and Cost of Sales - Existence / Occurrence 1.2

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 1. Existence / Occurrence  
*Control objective:* 1.2 All recorded stocks are supported by actual holdings.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Stock Register matched to physical stock at year end	M	M	Journal done to match stock held in tanker at year end	

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Independent regular stock counts are performed.	✓	Y
(c) There are adequate stock take instructions issued.	✓	X
(d) Results of stock counts are independently reviewed, differences are investigated and adjustments approved.	✓	Y
(e) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

Inventories and Cost of Sales - Completeness / Classification

133-270

<b>Smart Review</b>	1	<b>Unanswered Questions</b>	0
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*Audit assertion:* 2. Completeness / Classification  
*Control objective:* 2.1 All transactions are accurately recorded in the stock records and posted to the correct accounts.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Stock receipts recorded in stock register	M	M	All fuel purchases are recorded as receipts	
Stock issues recorded in stock register	M	M	All stock issues are expensed via fuel journal	
Stock pricing used for fuel appropriate	M	M	Average fuel price utilised from recent purchases	Supplier Invoice
<b>Weaknesses</b>		<b>Impact on procedures</b>		<b>W/P</b>
ULP and diesel fuel price includes GST when average fuel price is calculated for tanker allocations		Fuel expensed overstated by 10%		

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Authorised documentation is used to update perpetual stock records.	✓	Y
(c) Posting summaries reflect all valid stock movements.	✓	Y
(d) Posting summaries are checked, authorised and posted correctly to the general ledger.	✓	N
(e) Stock in transit is properly controlled.	✓	X
(f) Supervision is effective.	✓	Y

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### Internal Control Evaluation Form

Inventories and Cost of Sales - Ownership / Proprietary

133-300

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 3. Ownership / Proprietary  
*Control objective:* 3.1 All stock included in inventories or sold is owned by the client.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Fuel stock valued at year end	M	M	Only fuel in tanker is held as stock	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
-------------------------------------	---

Control Conditions	Status	Answer
(a) There are adequate cut-off procedures.	✓	Y
(b) Stocks on consignment to the client are properly identified and excluded from clients' own stocks.	✓	X
(c) Supervision is effective.	✓	Y

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### Internal Control Evaluation Form

Inventories and Cost of Sales - Valuation / Measurement 4.1

TJ33-330 4.1

Smart Review	0	Unanswered Questions	0
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Audit assertion: 4. Valuation / Measurement  
Control objective: 4.1 Stocks are properly and accurately costed.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Fuel stock valued at year end by appropriate value method	M	M	Only fuel in tanker is held as stock	

Weaknesses	Impact on procedures	W/P

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Finished goods are reconciled with purchases records and production records.	✓	X
(b) Stock costing summaries are prepared, checked and approved.	✓	Y
(c) Clerical procedures in relation to the preparation of inventory sheets are independently checked.	✓	Y
(d) Inventory sheets are properly approved.	✓	Y
(e) The totals of inventory sheets are agreed with control accounts in the general ledger.	✓	Y
(f) Any differences between totals of inventory sheets and control accounts are investigated and any adjustments approved.	✓	Y
(g) The carrying amounts of inventory items are regularly reviewed.	✓	Y
(h) There is a correct and consistent basis for charging to production the cost of all inventory issues, requisitions and returns.	✓	Y
(i) Labour and overheads are charged on a reasonable and consistent basis to work in progress.	✓	X
(j) Where standard costs are used:	✓	X
(i) they are reconciled with actual costs, and variances analysed	✓	X
(ii) they are regularly reviewed	✓	X
(iii) changes must be properly approved	✓	X
(k) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

Inventories and Cost of Sales - Valuation / Measurement 4.2

133-330 4.2

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:*

4. Valuation / Measurement

*Control objective:*

4.2 Provisions are made where necessary to prevent over-valuation of inventories.

Key Controls	Control Risk	Planned Reliance	Notes	W/P

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Controls are in existence to ensure that damaged, obsolete, and slow-moving inventory items are identified.	✓	X
(b) Work-in-progress expenditure is regularly reviewed for reasonableness.	✓	X
(c) Controls are in existence to ensure that necessary provisions are:	✓	X
(i) made	✓	X
(ii) independently checked	✓	X
(iii) authorised	✓	X

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## Internal Control Evaluation Form Inventories and Cost of Sales - Cut-Off

¶33-350

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 5. Cut-Off

*Control objective:* 5.1 All stocks purchased and/or sold are recorded in the correct accounting period.

Key Controls	Control Risk	Planned Reliance	Notes	W/P

Weaknesses	Impact on procedures	W/P

**Has the control objective been met?** Y

**Control Conditions**

Refer to <i>Sales, debtors and cash receipts</i> (¶30-250 and following) and <i>Purchases, creditors and cash payments</i> (¶31-250 and following), general internal control evaluations	Status	Answer
	✓	Y

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**Client Details**

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### Internal Control Evaluation Form Cash and Bank - Existence / Occurrence 1.1

T34-250 1.1

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 1. Existence / Occurrence  
*Control objective:* 1.1 Recorded cash funds exist.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Cash floats held are record in the General ledger.	L	M	Till Cash Float- Office \$200 and Petty Cash \$200	
Regular receipting and accounting for money collected at outstations.	L	M	All cash and cheques receipt are recorded in cheque register and receipted immediately	

Weaknesses	Impact on procedures	W/P

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Access to funds is restricted - funds held in secure locations.	✓	Y
(c) Authorisation is required for creation of new funds.	✓	Y
(d) An imprest system is used.	✓	Y
(e) Surprise counts are conducted.	✓	X
(f) Supervision is effective.	✓	Y

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### Internal Control Evaluation Form Cash and Bank - Existence / Occurrence 1.2

TJ34-250 1.2

<b>Smart Review</b>	0	<b>Unanswered Questions</b>	0
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*Audit assertion:* 1. Existence / Occurrence  
*Control objective:* 1.2 Recorded bank accounts exist.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Municipal Fund bank Account exists at financial institution	L	M	Municipal Fund Bank Statement currently at WBC, with investments at Bendigo Bank, statements downloaded daily.	
Trust Fund bank Account exists at financial institution	L	M	Trust Fund Bank Statement currently at WBS.	

Weaknesses	Impact on procedures	W/P

**Has the control objective been met?** Y

**Control Conditions**

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Authority is required for opening and closing bank accounts.	✓	Y
(c) Bank statements are received regularly for all bank accounts and independent reconciliations are prepared and subject to review.	✓	Y
(d) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

T34-250 1.3

Cash and Bank - Existence / Occurrence 1.3

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 1. Existence / Occurrence

*Control objective:* 1.3 All payments made from cash funds are properly supported.

Key Controls	Control Risk	Planned Reliance	Notes	W/P

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
-------------------------------------	---

Control Conditions	Status	Answer
(a) Duties are segregated regarding custody of funds and recording of transactions.	✓	Y
(b) Reimbursements are properly supported by vouchers which have been authorised by a responsible official.	✓	Y
(c) Advances and IOUs are properly controlled.	✓	X
(d) Vouchers are properly cancelled to prevent resubmission.	✓	Y
(e) Postings to general ledger accounts are properly controlled.	✓	Y
(f) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

134-250 1.4

Cash and Bank - Existence / Occurrence 1.4

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 1. Existence / Occurrence

*Control objective:* 1.4 All payments from bank accounts for goods and services are properly supported.

Key Controls	Control Risk	Planned Reliance	Notes	W/P

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
-------------------------------------	---

Control Conditions	Status	Answer
<a href="#">Refer to Purchases, creditors internal control evaluation and cash payments (131-250.1.1)</a>	✓	Y

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## Internal Control Evaluation Form

Cash and Bank - Completeness / Classification

¶34-270

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 2. Completeness / Classification  
*Control objective:* 2.1 All cash remittances received are deposited.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Cash takings receipted are banked regularly and appear on bank statement	M	M	Check of outstanding cash deposits to bank reconciliation	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
-------------------------------------	---

Control Conditions	Status	Answer
Refer to Sales, debtors and cash receipt's internal control evaluation (¶30-270)	✓	Y

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## Internal Control Evaluation Form

Cash and Bank - Ownership / Proprietary

¶34-300

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 3. Ownership / Proprietary  
*Control objective:* 3.1 Bank accounts are opened only in the client's name.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Bank account are opened with proper authoresation	L	M	Authority to open and close bank a/cs is with Council authorisation as there in no policy or delegation in place.	

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Appropriate authority is required for opening and closing bank accounts.	✓	Y
(c) Bank statements regularly received for all bank accounts and independent reconciliations are prepared and subject to review.	✓	Y

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## Internal Control Evaluation Form

Cash and Bank - Valuation / Measurement

134-330

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 4. Valuation / Measurement  
*Control objective:* 4.1 Bank accounts are correctly stated in the accounts.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
<b>Weaknesses</b>			<b>Impact on procedures</b>	<b>W/P</b>
<b>Has the control objective been met?</b>				Y
<b>Control Conditions</b>			<b>Status</b>	<b>Answer</b>
(a) Duties are segregated.			✓	Y
(b) Bank reconciliations are prepared regularly and reviewed.			✓	Y
(c) Inter-bank transfers are properly controlled.			✓	Y
(d) Supervision is effective.			✓	Y

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## Internal Control Evaluation Form

Cash and Bank - Cut-Off

¶34-350

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 5. Cut-Off  
*Control objective:* 5.1 Cash and bank transactions are recorded in the correct accounting period.

Key Controls	Control Risk	Planned Reliance	Notes	W/P

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
-------------------------------------	---

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Bank reconciliations are independently reviewed.	✓	Y
(c) Kiting is prevented.	✓	Y
(d) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

Payroll - Existence / Occurrence 1.1

¶36-250 1.1

<b>Smart Review</b>	0	Unanswered Questions	0
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*Audit assertion:* 1. Existence / Occurrence

*Control objective:* 1.1 Adequate security and authorisation over payroll transactions.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Payroll payments are securely made and with proper authorisation	M	M	Payment of salaries and wages via direct debits	
Personnel files are kept of all changes to employee details with approved forms	M	M	Payroll audit trail report run fortnightly to document payroll master file changes	Audit trail report

Weaknesses	Impact on procedures	W/P

**Has the control objective been met?** Y

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) There is written authorisation for:	✓	Y
(i) rates to pay	✓	Y
(ii) variations in rates of pay	✓	Y
(iii) bonuses	✓	Y
(iv) payments for annual, long service and sick leave	✓	Y
(v) termination of employment	✓	Y
(c) Individual personnel files are maintained containing the above authorisations and employee specimen signatures.	✓	Y
(d) Authorised deduction forms are held by the employer.	✓	Y
(e) All overtime worked is authorised.	✓	Y
(f) Advances of pay are authorised.	✓	X
(g) There is adequate security over the handling and distribution of payroll.	✓	Y
(h) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form Payroll - Existence / Occurrence 1.2

¶36-250 1.2

<b>Smart Review</b>	0	<b>Unanswered Questions</b>	0
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*Audit assertion:* 1. Existence / Occurrence  
*Control objective:* 1.2 Payroll payments are made only for individuals who work for the client.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Payroll banking reports are checked and authorised by respective supervisor	M	M	Payroll Net Pay Report and Payroll Banking file are authorised by a respective supervisor before online banking file is authorised at Bank	Net pay Report and ABA File
WBC payroll reports are signed by two authorised signatories	M	M	Bank payroll report to be signed by CEO and MFS or MCS as authorisers - NAB payroll report for 14 August 2019 not signed.	WBC Payroll Report

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Payroll transactions are regularly reviewed by an independent person.	✓	Y
(c) The recording of hours worked is adequately controlled.	✓	Y
(d) Time cards/sheets are approved.	✓	Y
(e) Employees are identified prior to payment.	✓	Y
(f) Adequate personnel files are maintained.	✓	Y
(h) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

#36-250 1.3

Payroll - Existence / Occurrence 1.3

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 1. Existence / Occurrence

*Control objective:* 1.3 Employees are paid only for the time they actually worked.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
All staff complete timesheets for hours worked that are authorised by supervisor.	M	M	All staff prepare timesheets and are properly authorised by a respective supervisor	Timesheet
Leave applications are completed by employees and authorised by supervisor for all leave taken	M	M	Personal, annual and long service leave applications are completed and signed by employees, and then authorised by supervisor.	Leave application

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Time cards/sheets are approved.	✓	Y
(b) Time clocks are used to record hours worked.	✓	X
(c) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

T36-270

Payroll - Completeness / Classification

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 2. Completeness / Classification

*Control objective:* 2.1 Recorded payroll transactions are correctly summarised and posted.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Timecards are entered and costed to correct jobs/general ledger accounts, including plant hours	M	M	Payroll system is integrated with SynergySoft general ledger and works costings	Timesheet

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Payroll summary calculations are verified.	✓	Y
(b) Postings to general ledger are checked.	✓	Y
(c) Payroll transactions are recorded on a timely basis.	✓	Y
(d) Payroll transactions are properly included in the employee earnings record.	✓	Y
(e) Supervision is effective.	✓	Y

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## Internal Control Evaluation Form

Payroll - Ownership / Proprietary

¶36-300

<b>Smart Review</b>	0	<b>Unanswered Questions</b>	0
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*Audit assertion:* 3. Ownership / Proprietary  
*Control objective:* 3.1 All payroll transactions are properly authorised.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Timesheet hours add up to 76 standard hours for outside employees and 76 standard hours for inside staff, with an RDO every fortnight	M	M		

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Written authorisation is obtained for:	✓	Y
(i) rates of pay	✓	Y
(ii) variations in rates of pay	✓	Y
(iii) bonuses	✓	Y
(iv) payments for annual, long service and sick leave	✓	Y
(v) termination of employment	✓	Y
(vi) Overtime worked	✓	Y
(vii) Pay in advance	✓	X

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## Internal Control Evaluation Form

Payroll - Valuation / Measurement

736-330

<b>Smart Review</b>	0	<b>Unanswered Questions</b>	0
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*Audit assertion:*           **4. Valuation / Measurement**

*Control objective:*       4.1 Recorded payroll transactions are calculated at the proper rates and withholdings are correctly calculated.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Correct pay rates are utilised	M	M	Award increases monitored	
Payroll master file changes are monitored for	M	M	Payroll Master File audit trail checked regularly	

Weaknesses	Impact on procedures	W/P

<b>Has the control objective been met?</b>	Y
--	---

Control Conditions	Status	Answer
(a) Payroll hours, calculations and additions are determined and checked.	✓	Y
(b) Payroll sheets and summaries are prepared and checked.	✓	Y
(c) The summary of net payroll is agreed to cheque drawn.	✓	Y
(d) Employees' earnings and deductions records are prepared and checked.	✓	Y
(e) Authorised deduction forms are available to support deductions made.	✓	Y
(f) Supervision is effective.	✓	Y

# Audit Workpapers Plus

Licensed To:

Version: 01.03.0003

**Client Details**

Client Name	Shire of Trayning	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Jun-2019	Period End	31-May-2020
		Date Prepared	2-Jun-2020

[Goto CoverSheet](#)

[Goto CheckList](#)

## Internal Control Evaluation Form

¶36-350

Payroll - Cut-Off

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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*Audit assertion:* 5. Cut-Off

*Control objective:* 5.1 All payroll transactions are recorded in the correct period.

Key Controls	Control Risk	Planned Reliance	Notes	W/P

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
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Control Conditions	Status	Answer
(a) Payroll transactions are promptly posted.	✓	Y
(b) The payroll is reviewed prior to and subsequent to year end.	✓	Y
(c) Payroll is reconciled with budget and any variances are analysed.	✓	Y

**ATTACHMENT 3  
FLOWCHARTS/PROCESS MAPS**

**MAIL/CASHIERING  
ACCOUNTS RECEIVABLE  
ACCOUNTS PAYABLE  
PAYROLL  
STOCK  
PETTY CASH**

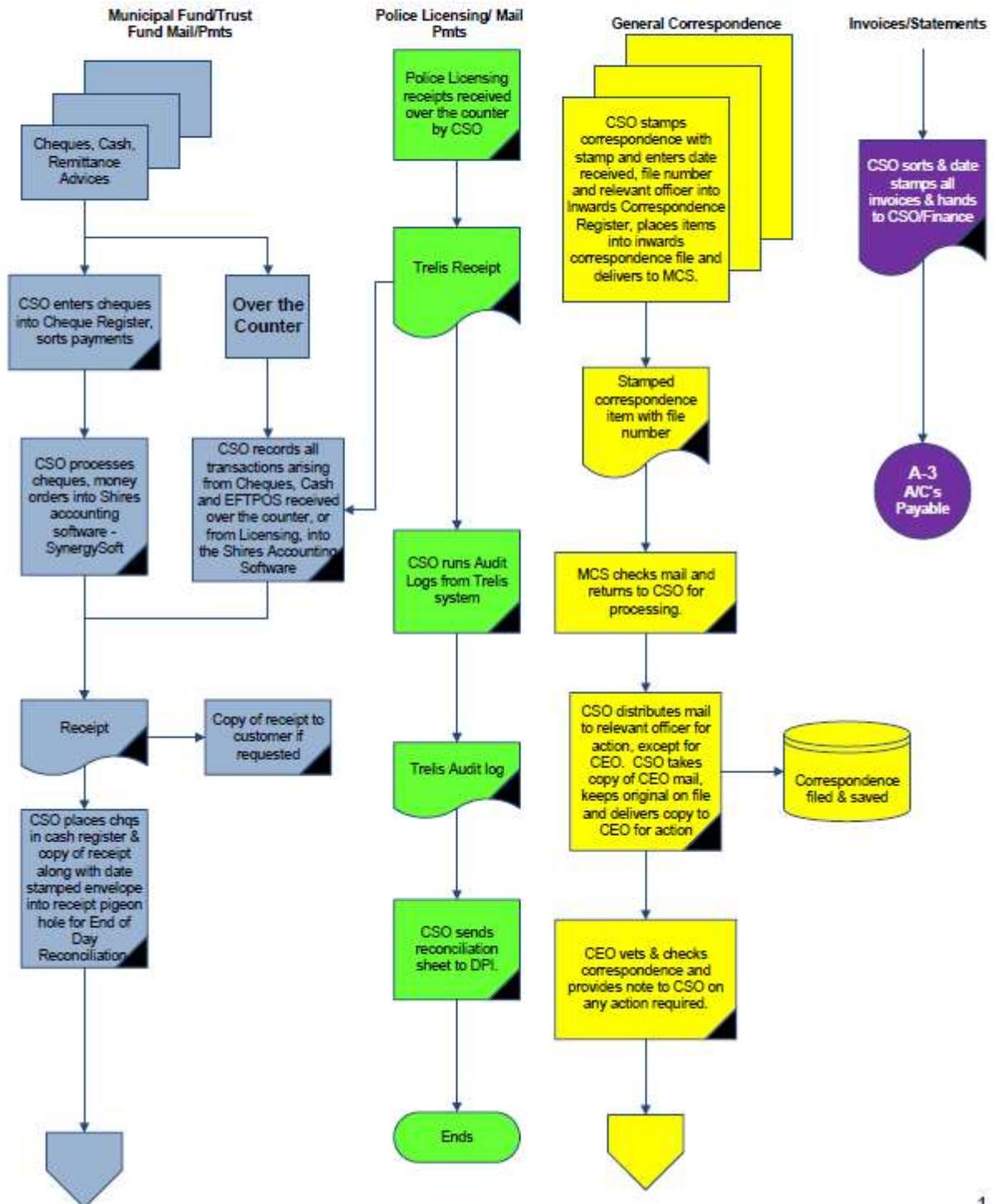
# SHIRE OF TRAYNING

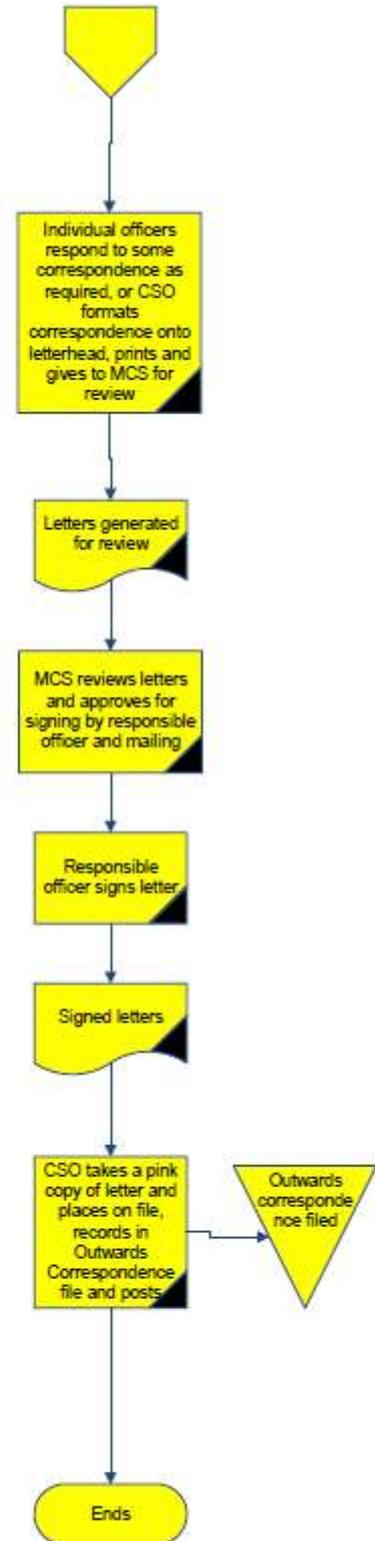
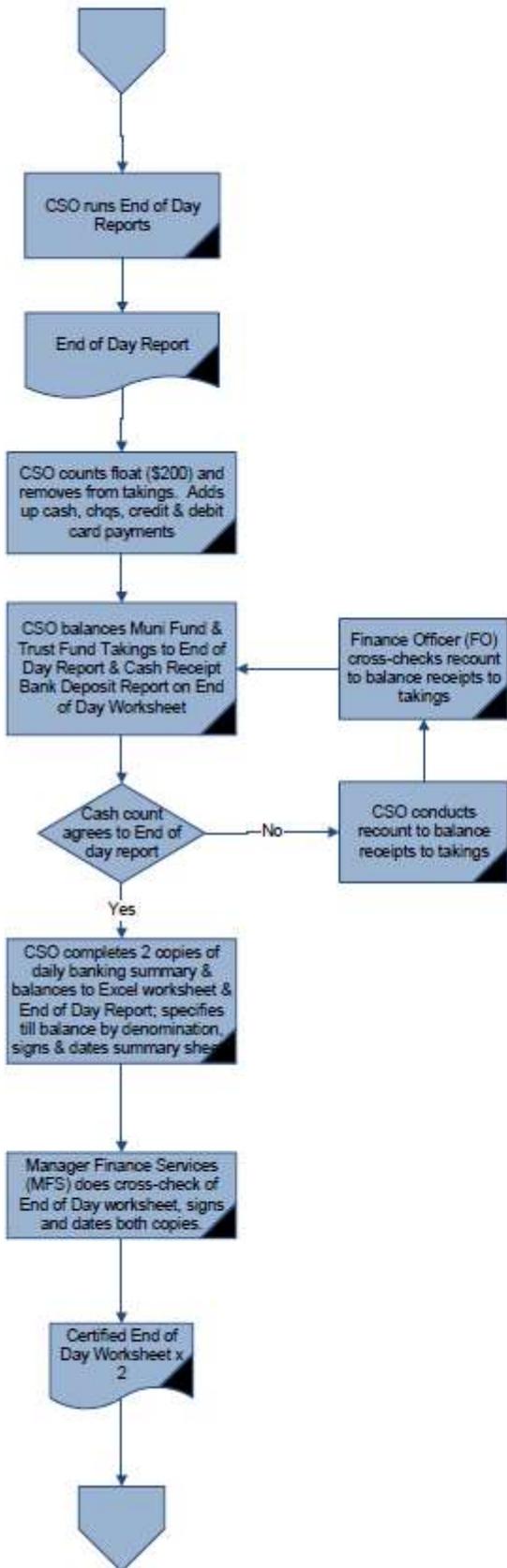
Mail/Cashiering

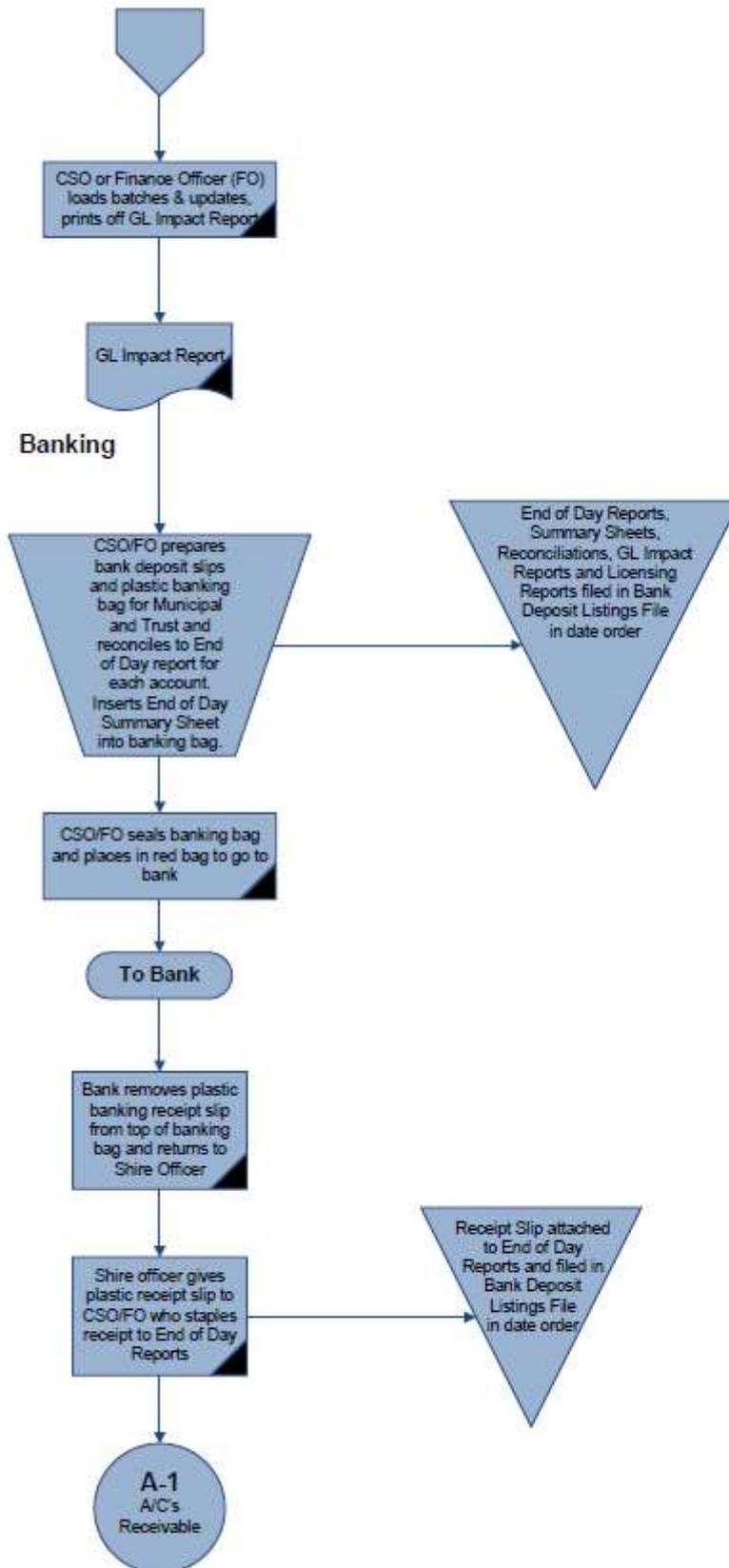
Flowchart

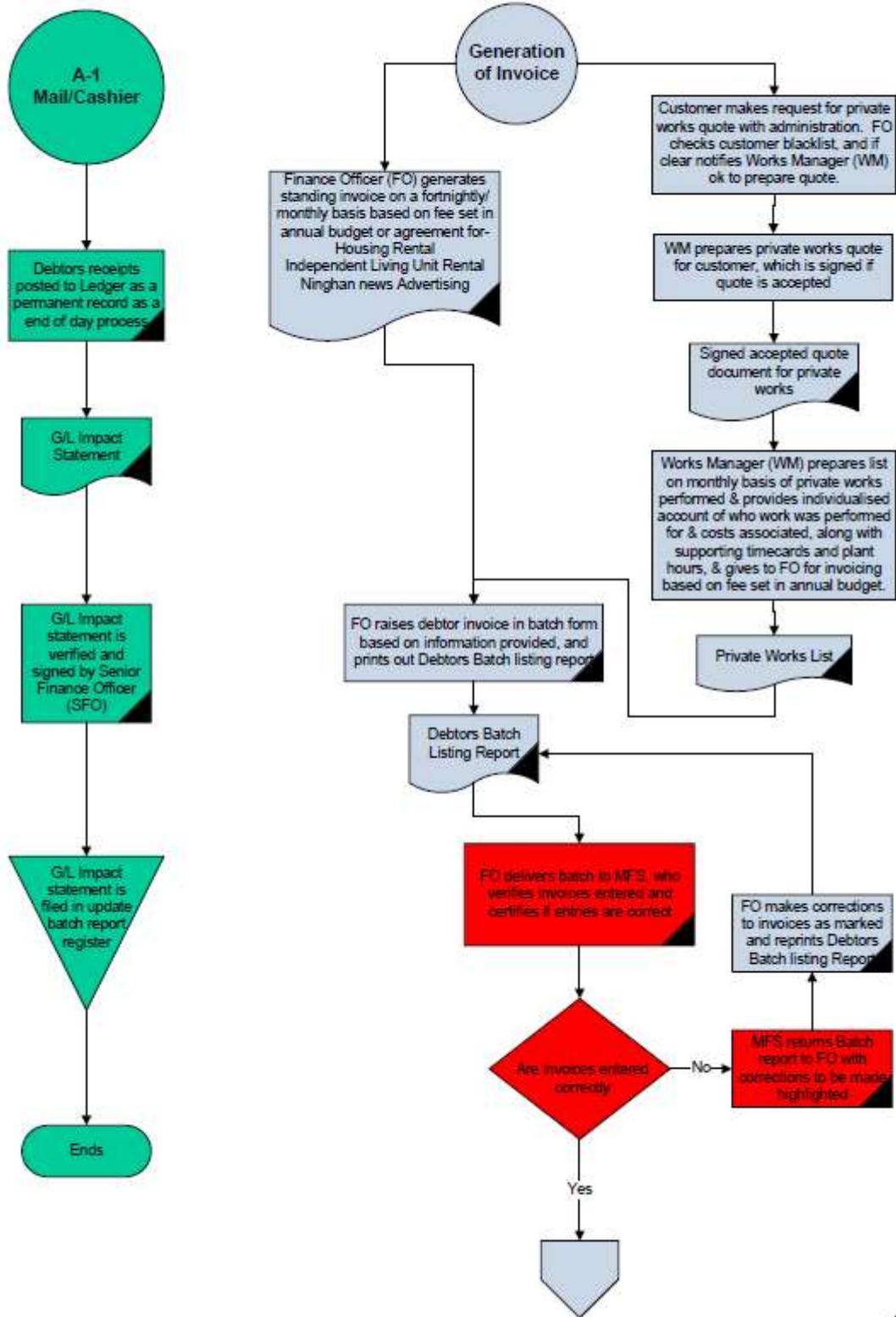
10/06/2020

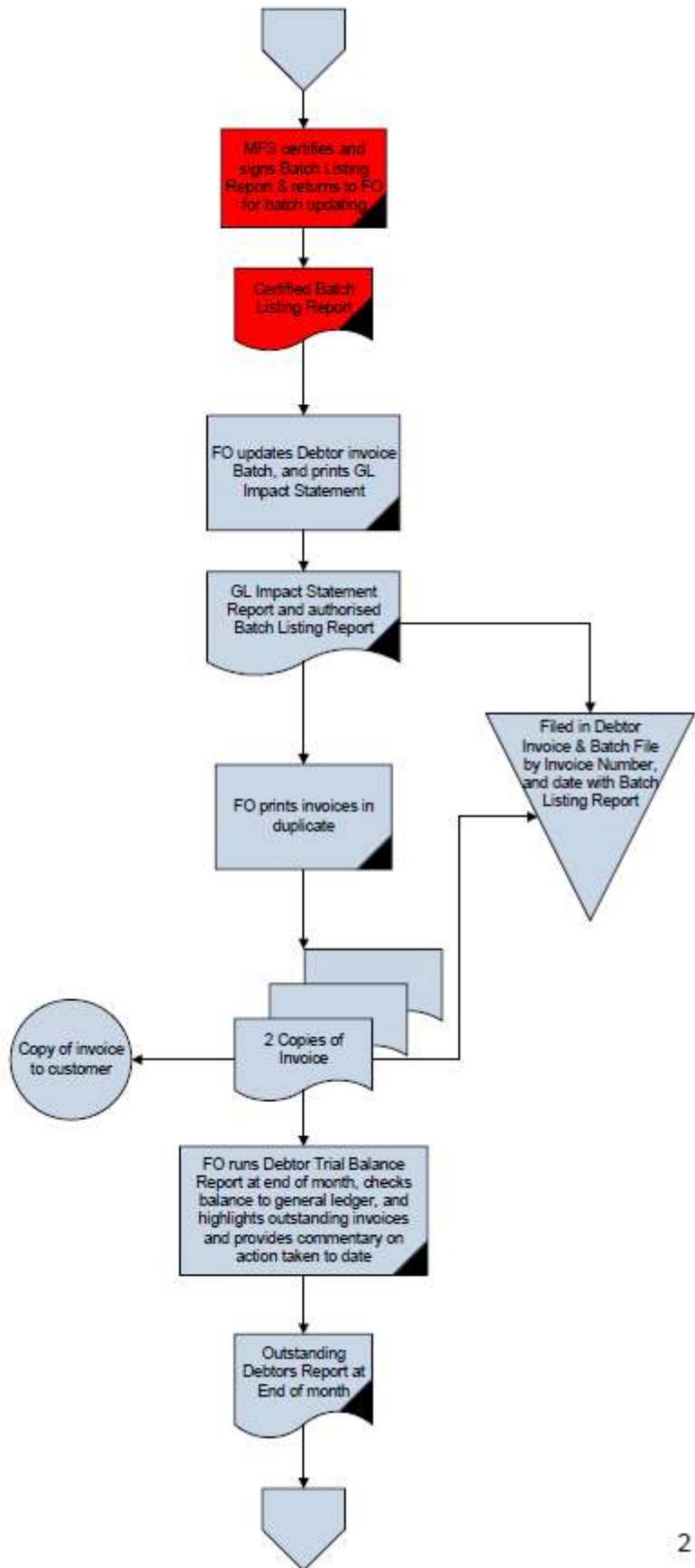
Mail is delivered to the Administration office. Customer Services Officer (CSO) opens all mail, except confidential items. All items of correspondence, including supplier invoices and customer payments, are date stamped upon receipt.

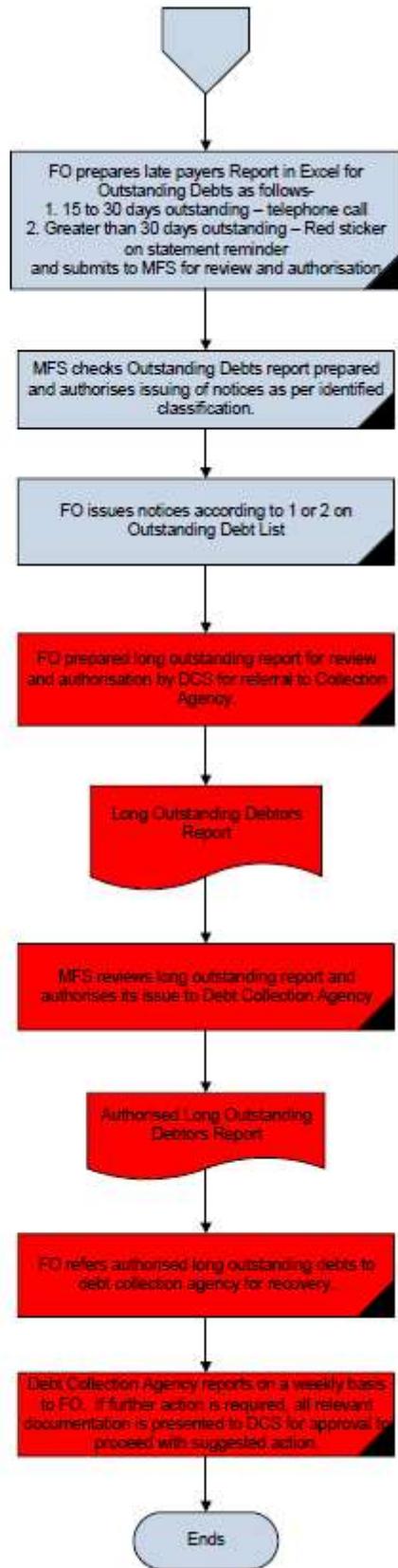








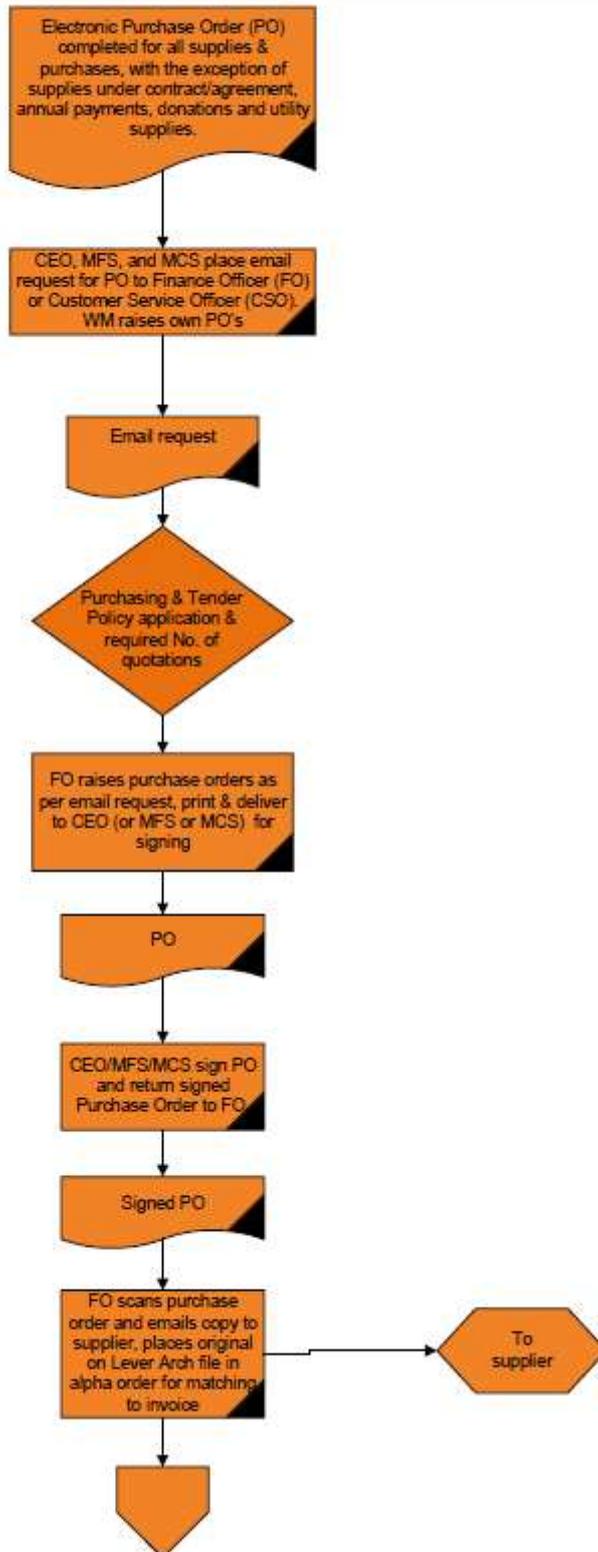




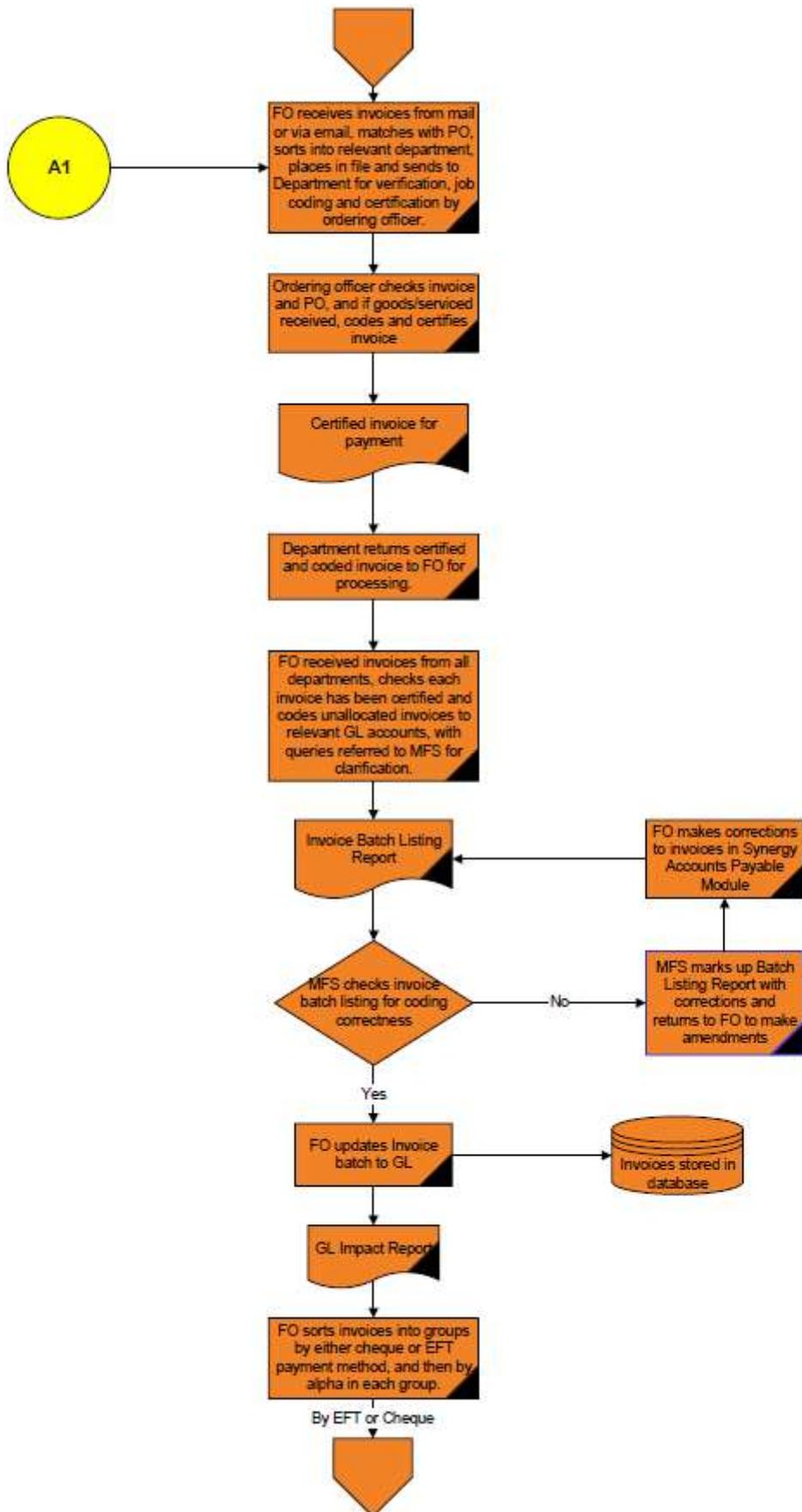
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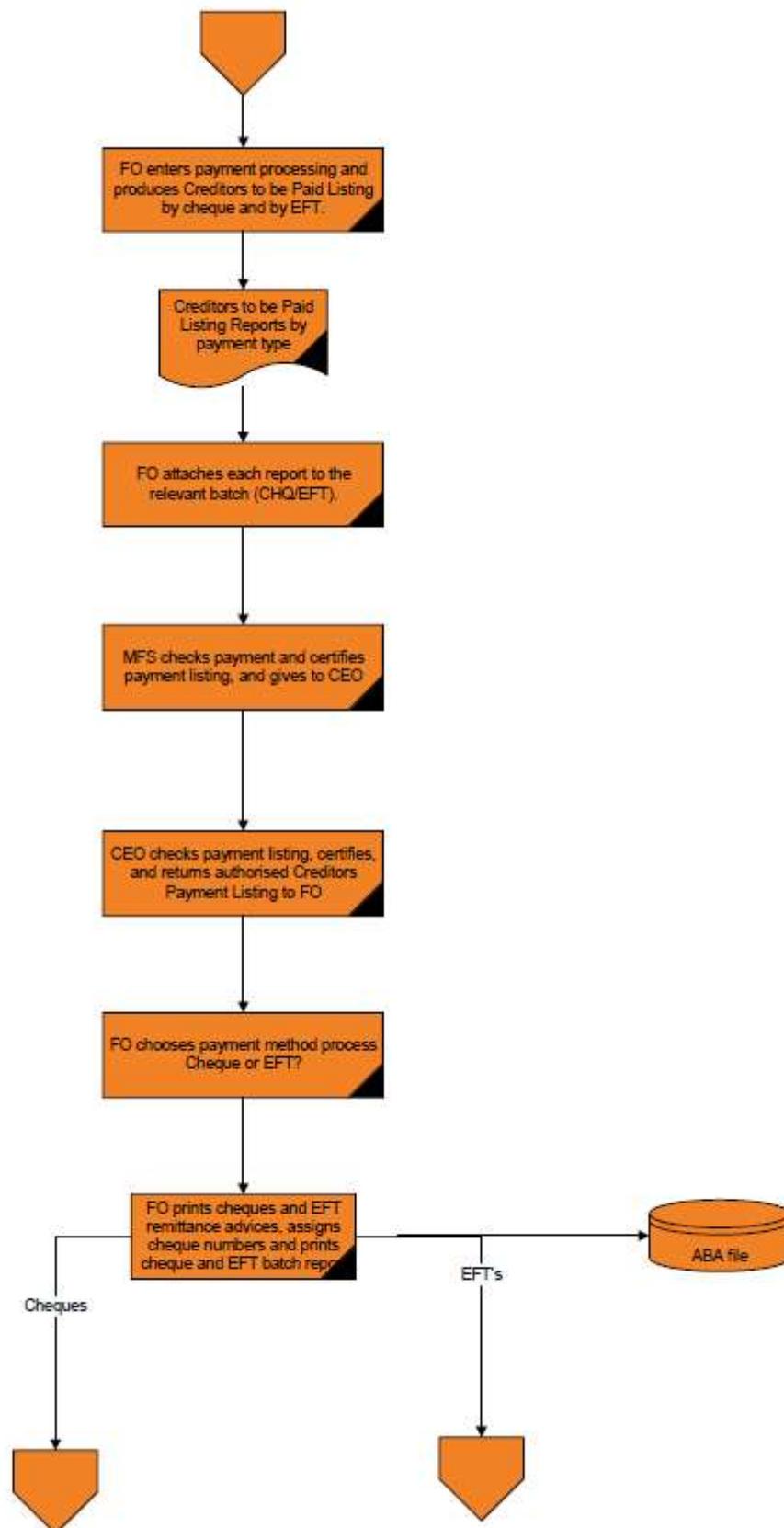
Accounts Payable Flowchart

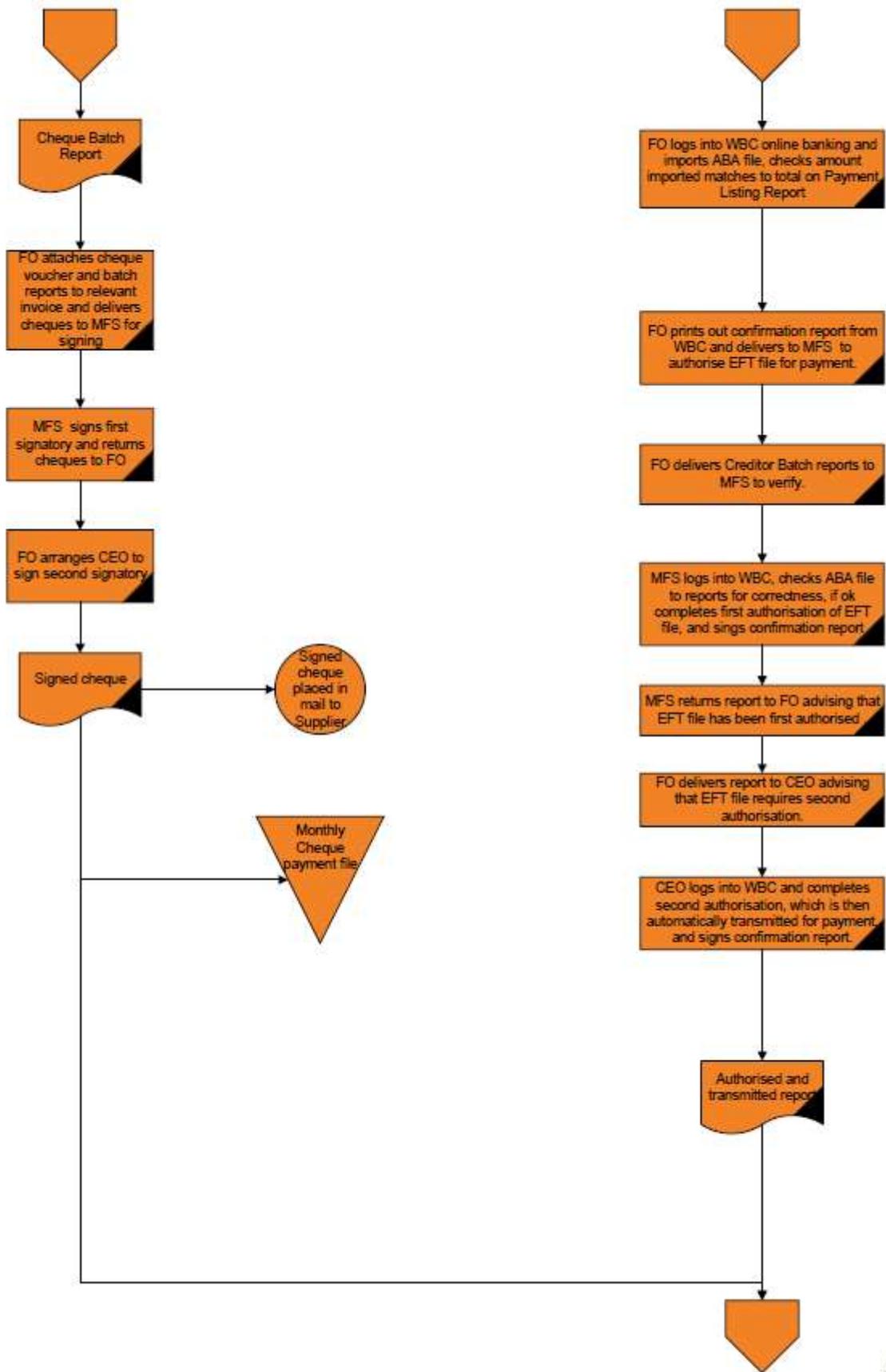
10/06/2020

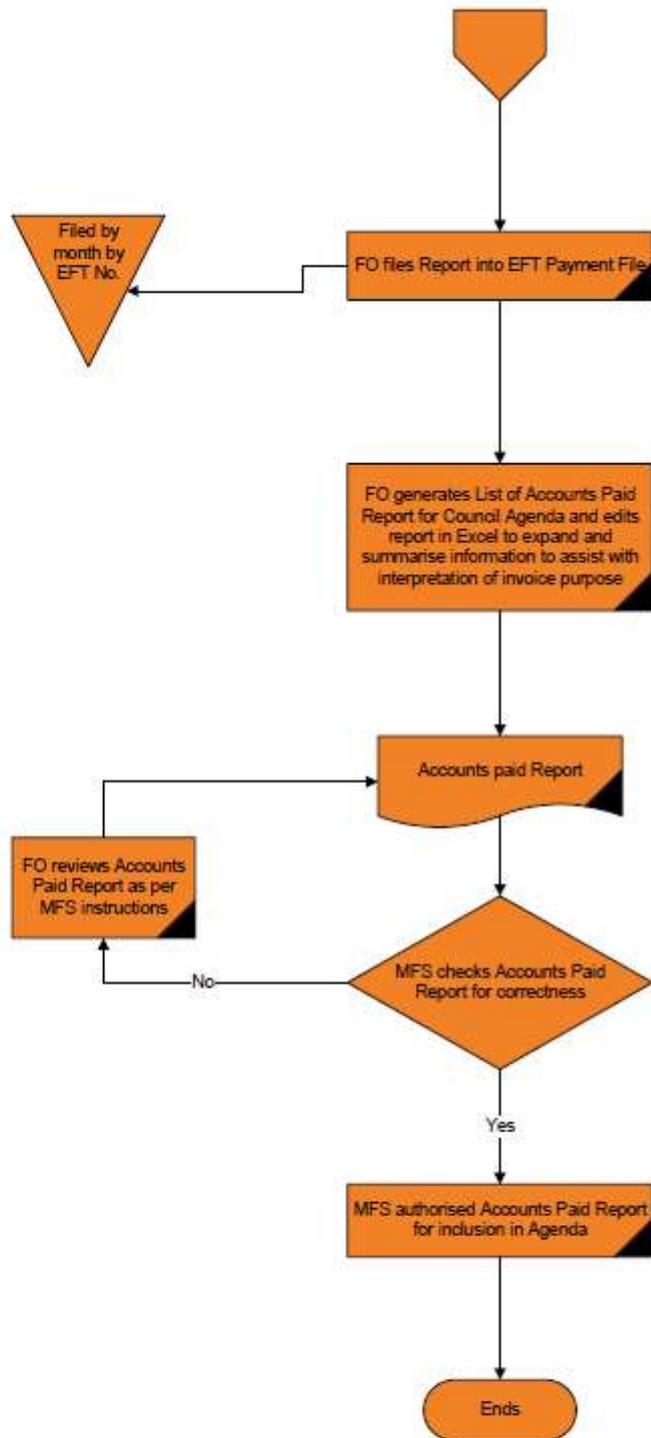


1





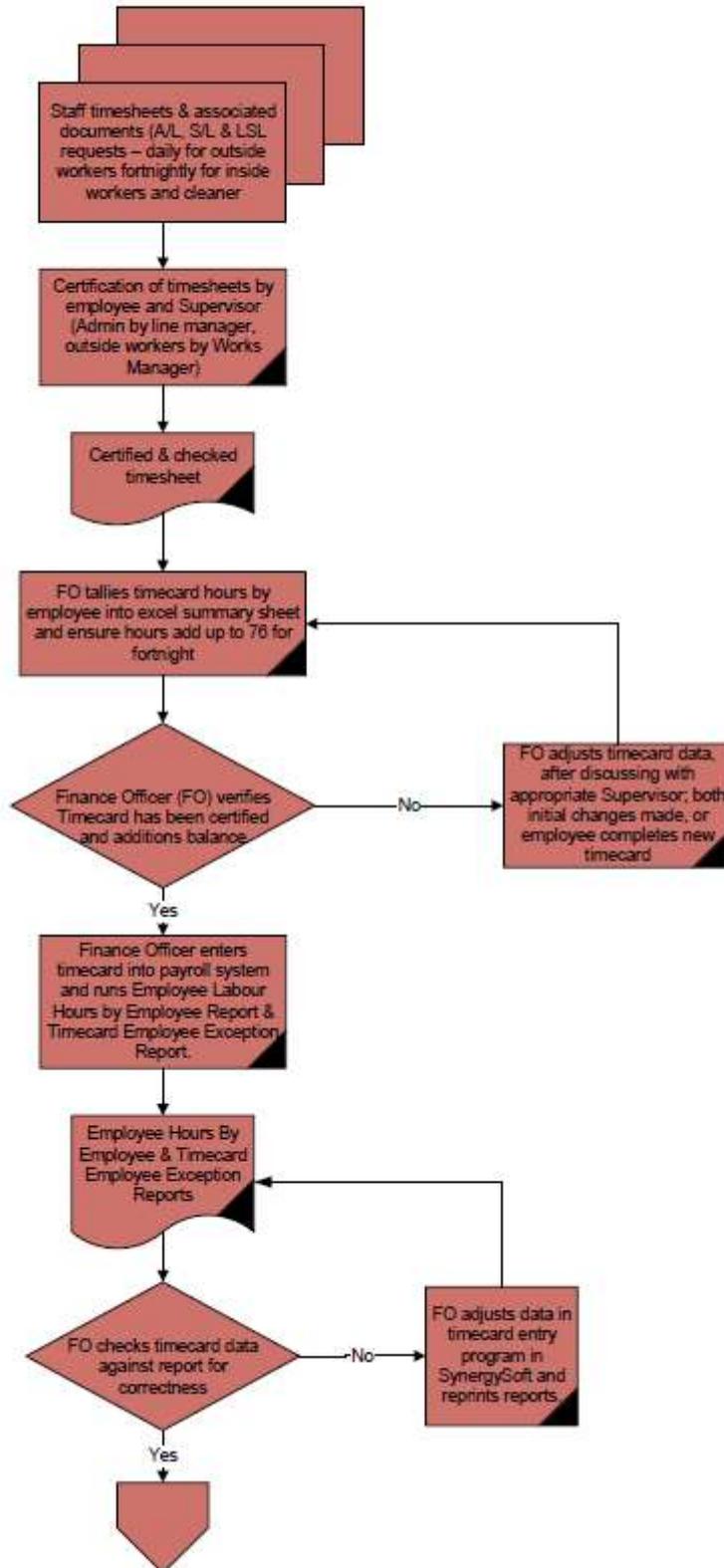




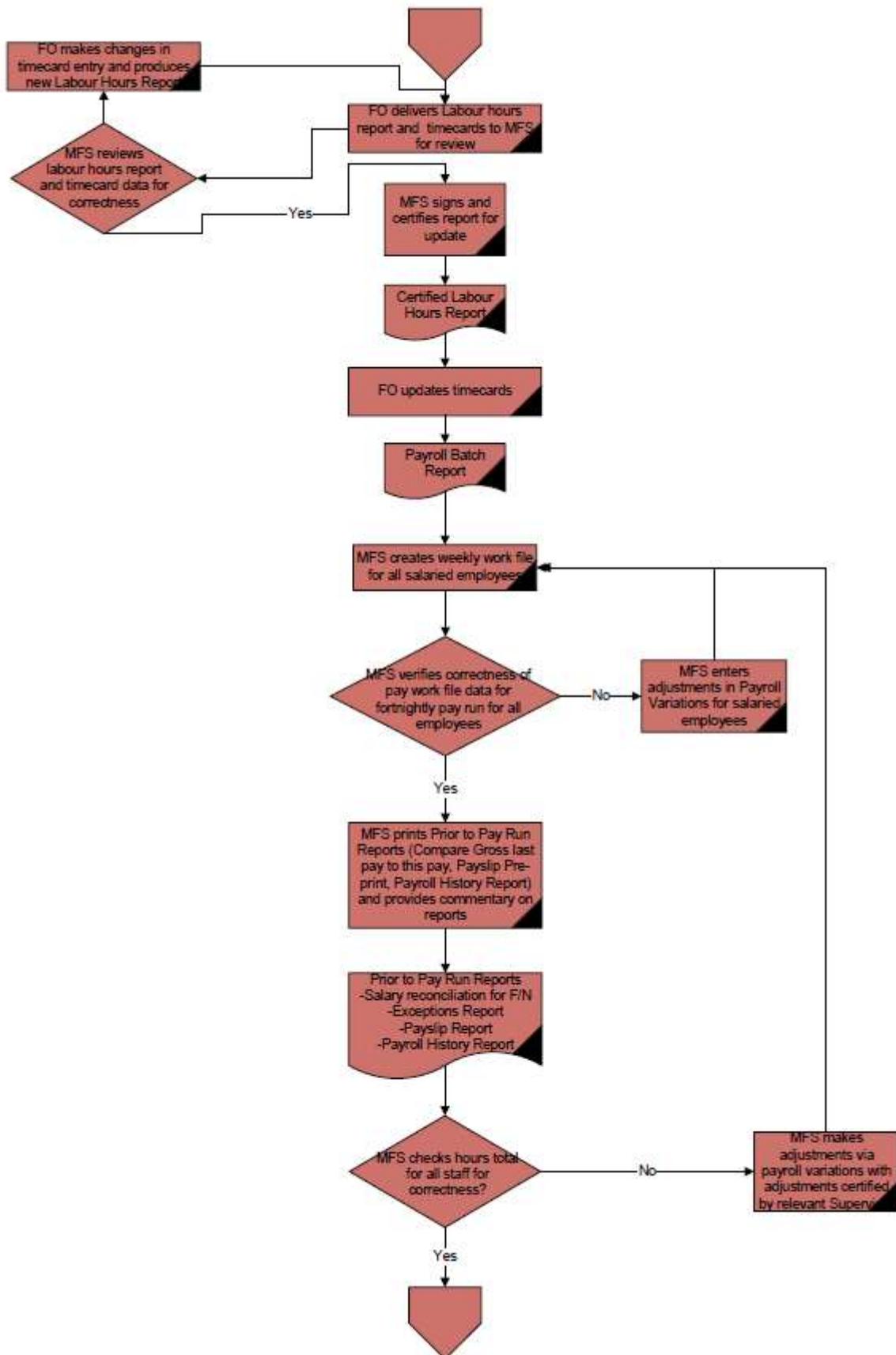
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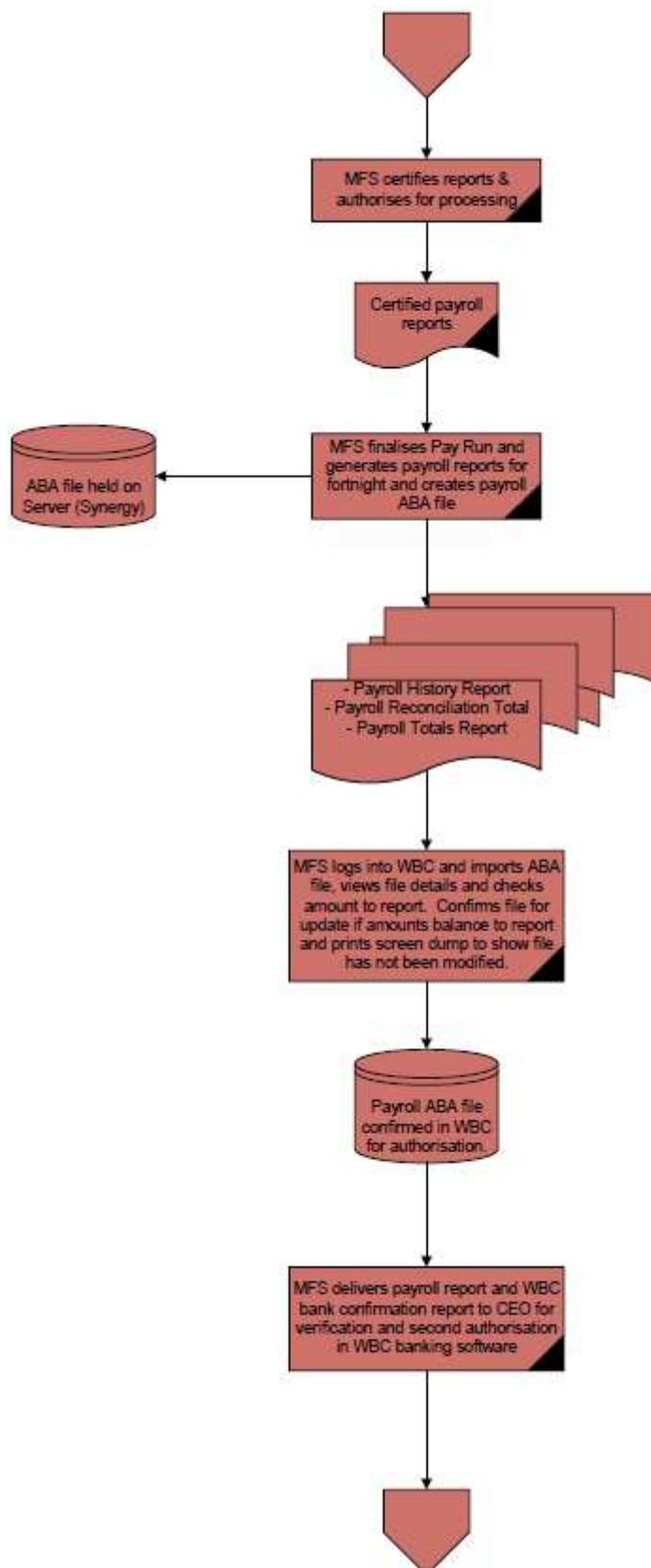
Payroll Flowchart

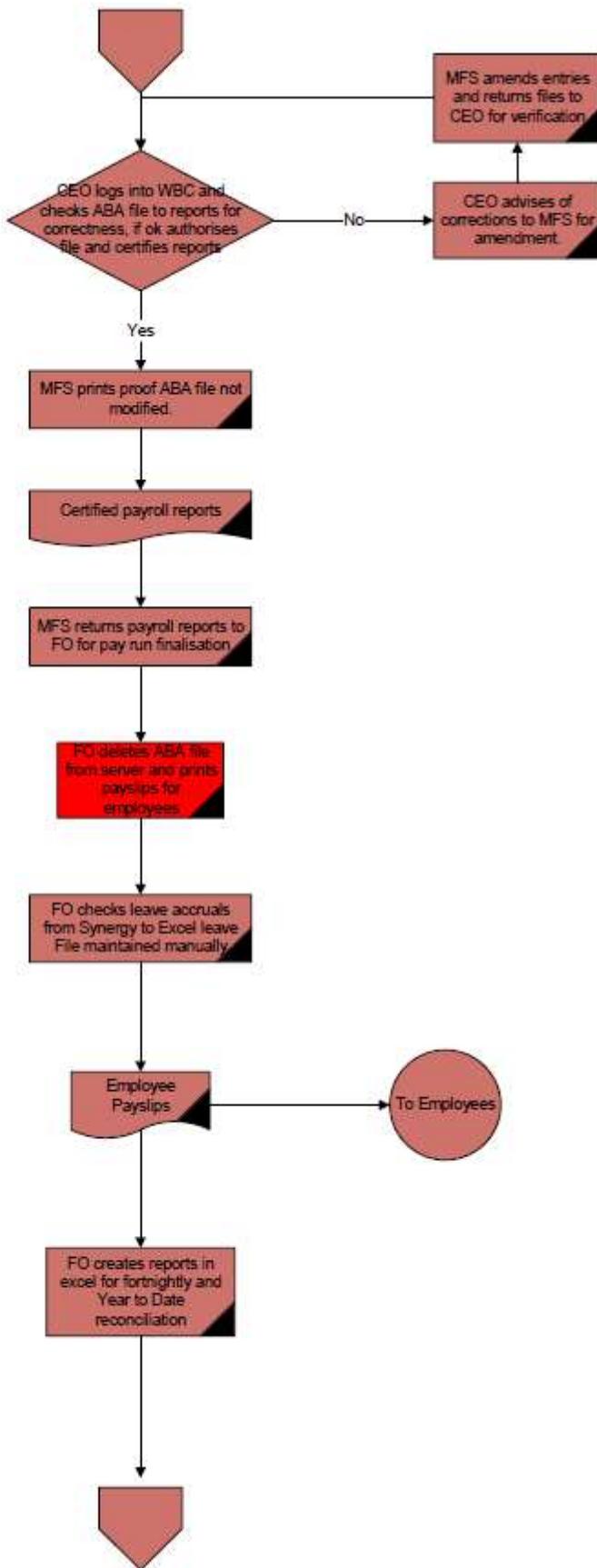
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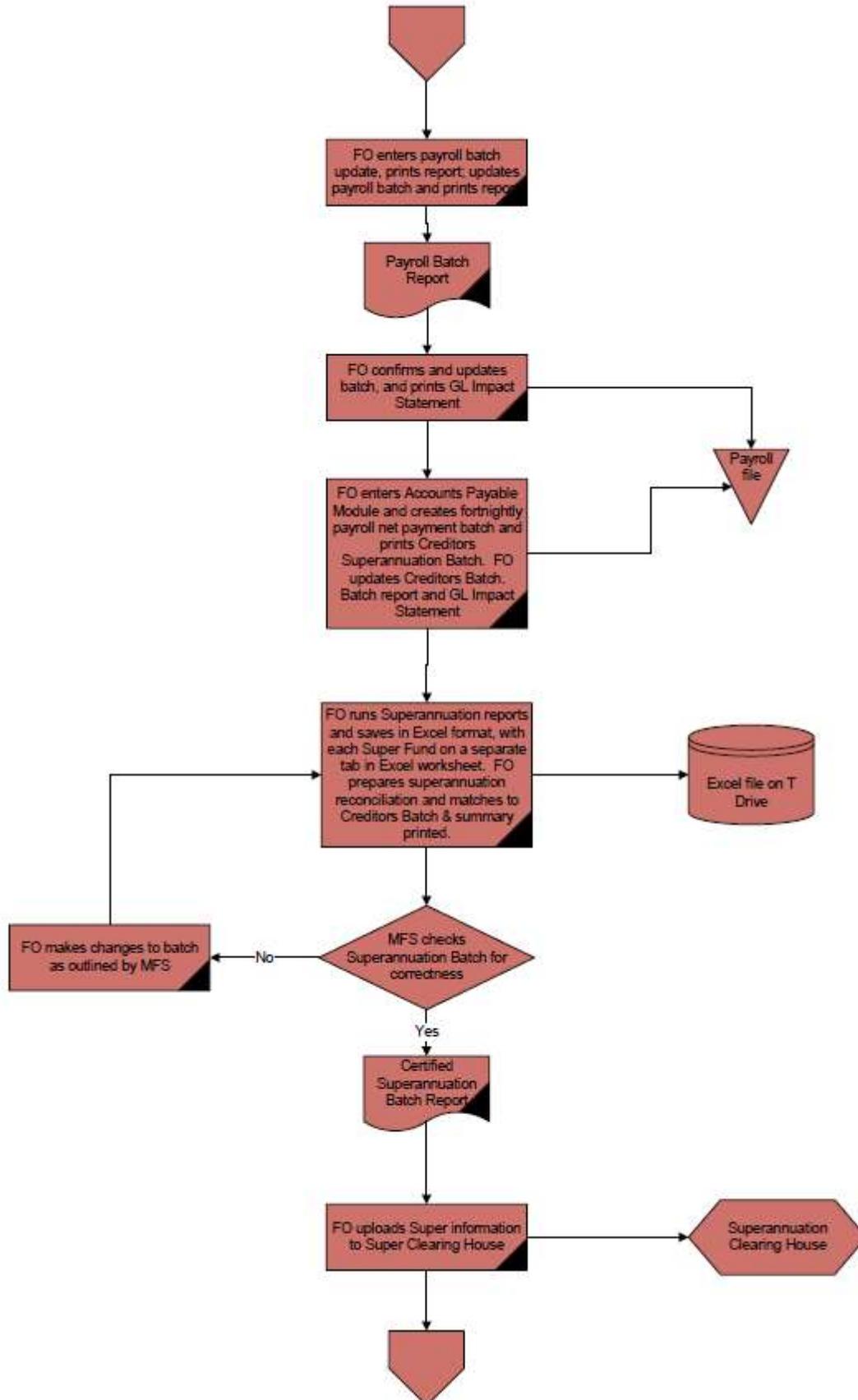


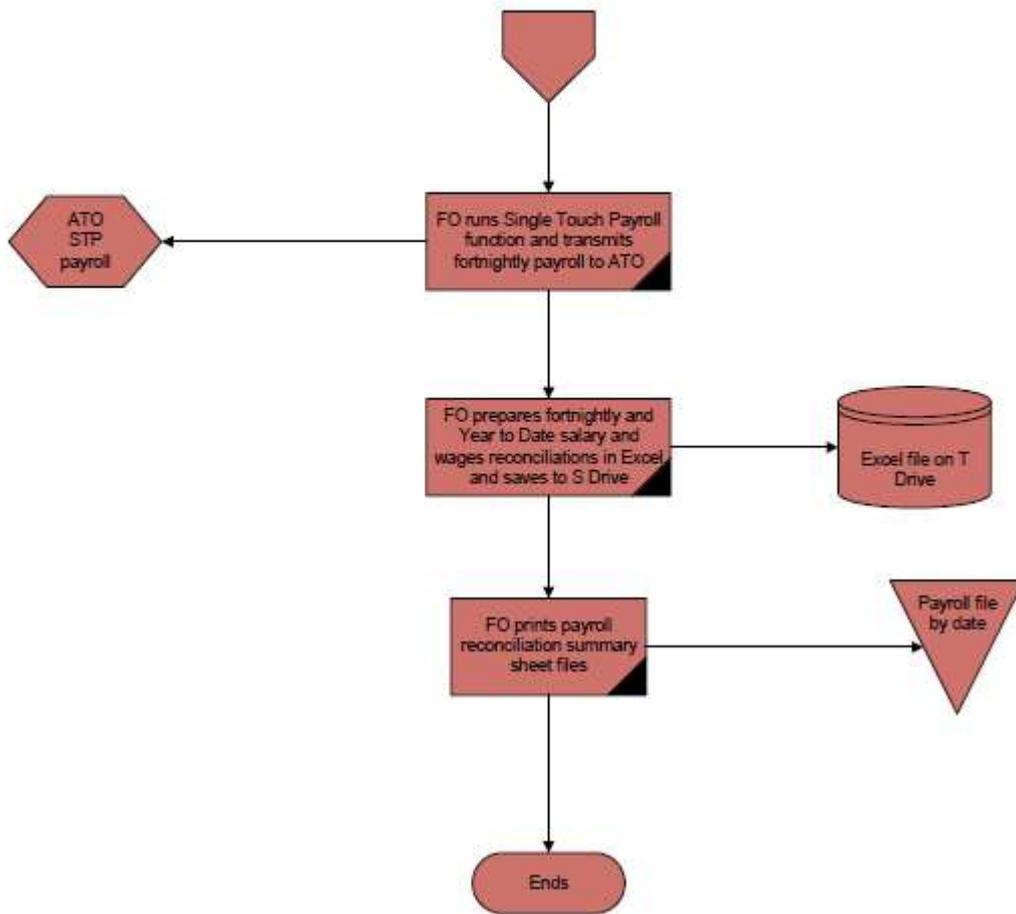
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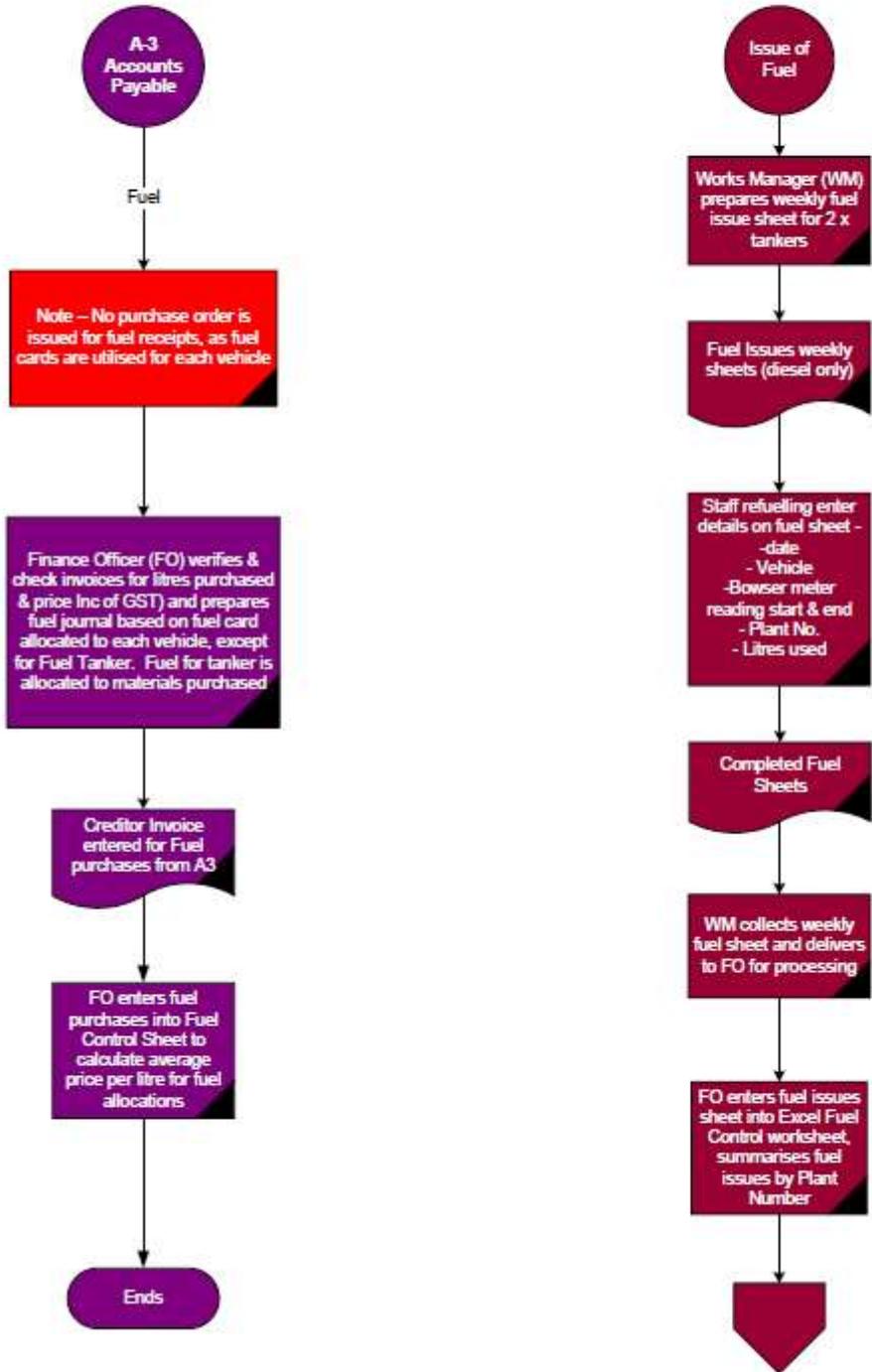








All Shire purchases are related to Fuel & Cement





# SHIRE OF TRAYNING

Petty Cash Imprest System

Flowchart

10/06/2020

## Administration



1

