

SHIRE OF NUNGARIN

Review of Legislative Compliance, Internal Controls and Risk Management Systems

MARCH 2023



Recommendations

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

- (1) That the CEO consider the implementation of a monitoring process of Government Gazettes for any legislative changes that may have an impact on the operations of the local government.
- (2) It is essential that the Shire prepare Asset Management Plans for all relevant asset classes, as it is a statutory requirement of regulation 19DA(3)(c) of the *Local Government (Financial Management) Regulations 1996*.
- (3) It is essential that the Shire prepare a Workforce Plan, as it is a statutory requirement of regulation 19DA(3)(c) of the *Local Government (Financial Management) Regulations 1996*.
- (4) That the CEO consider implementing an Internal Control Policy.
- (5) That the CEO consider implementing a Legislative Compliance Policy.
- (6) That the CEO consider the formalisation of internal procedure manuals for key processes so there is clear documentation on how tasks and processes should be performed.
- (7) That the Council consider the suitability of model delegations included at Attachment "1".
- (8) That the CEO consider implementing a complaints work procedure, which also addresses internal complaints, grievances, confidential and anonymous employee complaints.
- (9) That the CEO consider implementing an internal work procedure that meets the requirements of the Public Interest Disclosures Act.
- (10) That the CEO consider implementing a work procedure that details the process of handling complaints about elected members under the Official Conduct Rules.
- (11) That the CEO consider implementing a Governance Manual that provides guidance on the corporate governance framework that applies to the local government for Elected Members and Staff.
- (12) That the CEO consider implementing a new internal control procedure where the MCS undertakes the role of checking customer sales invoices raised and to certify debtor batch listings by verifying the sales invoices to the Debtor Invoice Batch Report.
- (13) That the CEO consider implementing a new internal control procedure relating to residential rents where the total annual rental amount is raised as a debt against the debtor and all payments made through-out the year are receipted against the debtor account.
- (14) That the CEO consider implementing a new internal control procedure relating to the reconciliation of the debtor's general ledger control account to the debtor's subsidiary ledger at the end of each month.
- (15) That the CEO consider implementing a new certification stamp for supplier invoices that incorporates an initial and check box for verifying the additions on the supplier invoice for



accuracy, verifying the GST amount matches that specified on the invoice, verifying if GST credits can be claimed on the supplier invoice, and verifying the supplier's ABN and GST registration status.

- (16) That the CEO implement new internal control procedures to ensure the certification stamp on supplier invoices is signed by the ordering/receiving officer that goods have been received in appropriate condition or services have been rendered at the appropriate standard and also the 'Authorised for Payment' certification line.
- (17) That the CEO consider implementing a new internal control process to the accounts payable procedure to ensure the proper number of quotations have been sourced according to the Purchasing Policy, and that a check is performed on the approval threshold for purchase orders as part of the invoice checking process.
- (18) That the CEO consider implementing a new internal control procedure to ensure a count of the administration office cash register float is performed by two employees; one doing the initial count and a second employee verifying the cash float count and the cash takings for the day, with both employees signing and dating the cash register reconciliation worksheet.
- (19) That the CEO consider implementing a new internal control procedure relating to EFTPOS cash receipts processed and contact the EFTPOS terminal supplier to initiate settlement of the terminal at an earlier time to allow the matching of the terminal takings to those processed in SynergySoft.
- (20) That the CEO consider introducing a Monthly Reconciliations Checklist that captures all end of month reconciliations.
- (21) That the CEO consider implementing an IT Security Policy and/or an IT Security Procedure.
- (22) That the CEO consider implementing a lockable key box at the depot to house all keys for plant and equipment.
- (23) That the CEO consider implementing an IT Disaster Recovery Plan that contains annual disaster recovery tests of full system restores.
- (24) That the CEO consider investigating a new backup solution that incorporates a combination of local and remote back-ups, including hourly snapshots of data to minimise loss of data.
- (25) That the CEO consider developing a Risk Management System that includes operational procedures, key risk profiles, risk appetite and risk tolerance.
- (26) That the CEO consider developing risk profiles for strategic and operational risks.
- (27) That the CEO consider the implementation of a Risk Management Framework/Manual that articulates the local governments' risk policies, procedures, profiles, appetite and tolerance in a single document.
- (28) That the CEO consider developing a schedule for the Business Continuity Plan testing methods to be undertaken and the frequency they are to be performed.



- (29) That the CEO consider implementing a risk register.
- (30) That the CEO evaluate whether there is a need for the Audit Committee to meet more frequently than twice per year.
- (31) That the CEO consider implementing a work procedure for managing insurance claims, which will ensure consistency of claims management.
- (32) That the CEO consider developing a risk profile for Procurement, Asset Disposal, and Tender Practices.
- (33) That the CEO consider incorporating Misconduct into its Fraud and Corruption Control Policy, so there is clear guidance to staff on Councils position on misconduct issues.

Opinion

The review of the Legislative Compliance, Internal Control and Risk Management mechanisms developed by the Shire of Nungarin 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 local government.

