

SHIRE OF NUNGARIN

Financial Management Review
and
Review of Legislative Compliance,
Internal Controls and
Risk Management Systems
2019



Recommendations

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

FINANCIAL MANAGEMENT REVIEW

- (1) That Council consider incorporating debt collection timeframes into Sundry Debts Policy – F.06 to assist guide staff.
- (2) That the CEO implement new internal control procedures where the CEO undertakes the role of checking supplier invoices raised and to certify creditor batch listings by verifying the supplier invoices to the Invoice Batch Report, and to check that the correct GST coding has been used and that the correct invoice amount has been entered.
- (3) That the CEO implement new internal control procedures to ensure a count of the administration office cash register float is performed each day as part of the End of Day Cash Register reconciliation. The count should be 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.
- (4) 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.
- (5) That the CEO implement new internal control procedures to ensure the certification stamp on supplier invoices is signed by the ordering or receiving officer that goods have been received in appropriate condition or services have been rendered at the appropriate standard.
- (6) That the CEO implement new internal control processes 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 process.
- (7) That the CEO implement new internal control procedures so that petty cash advance vouchers are completed when a petty cash advance is made, and that regular monthly cash counts are conducted.
- (8) That the CEO implement new internal control procedures where the payroll aba transfer file is deleted from the server after it has been uploaded and verified in the CommBiz online platform.
- (9) That Council place a priority on the review of its Strategic Planning documents and informing strategies.
- (10) 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.
- (11) That Council consider the suitability of the model policies and delegations provided.



LEGISLATIVE COMPLIANCE, INTERNAL CONTROL AND RISK MANAGEMENT REVIEW

- (12) That the CEO consider the implementation of an Annual Compliance Calendar which may assist in tracking key compliance requirements.
- (13) That the CEO consider the implementation of a compliance checklist detailing the statutory obligations to be met for the compliance items identified on the Annual Compliance Calendar.
- (14) That the CEO ensure that the local governments' key strategic documents (Strategic Community Plan and Corporate Business Plan) are reviewed and updated.
- (15) That the CEO ensure that the local governments' informing strategies (Long Term Financial Plan, Asset Management Plans and Workforce Plan) are reviewed and updated.
- (16) That the CEO consider conducting a complete review of Councils Policy Manual so that:
 - (a) Each Policy contains an objective so that the intent of the policy is clear; and
 - (b) Each policy meets the obligations under legislation or contains a policy framework that provides clear guidance to staff.
- (17) That the CEO consider implementing an Internal Control Policy.
- (18) That the CEO consider implementing a Legislative Compliance Policy.
- (19) 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.
- (20) That the Council consider the suitability of model delegations included at Attachment "1".
- (21) That the CEO consider introducing a Customer Service Charter that communicates Councils commitment to standards of customer service.
- (22) That the CEO consider implementing a Complaints Handling Policy.
- (23) That the CEO consider implementing a complaints work procedure, which also addresses internal complaints, grievances, confidential and anonymous employee complaints
- (24) That the CEO consider implementing a Grievance Policy.
- (25) That the CEO implement a work procedure that meets the requirements of the Public Interest Disclosures Act.
- (26) That the CEO consider implementing a work procedure that details the process of handling complaints about elected members under the Official Conduct Rules.
- (27) 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.
- (28) That the CEO implement new internal control procedures where the CEO 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.



- (29) That the CEO implement new internal control procedures 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.
- (30) That the CEO implement new internal control procedures relating to the reconciliation of the debtor's general ledger control account to the debtor's subsidiary ledger at the end of each month.
- (31) That the CEO implement new internal control procedures where the CEO undertakes the role of checking supplier invoices raised and to certify creditor batch listings by verifying the supplier invoices to the Invoice Batch Report, and to check that the correct GST coding has been used and that the correct invoice amount has been entered.
- (32) That the CEO implement new internal control procedures to ensure the certification stamp on supplier invoices is signed by the ordering or receiving officer that goods have been received in appropriate condition or services have been rendered at the appropriate standard.
- (33) That the CEO implement new internal control processes 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 process.
- (34) That the CEO implement new internal control procedures so that petty cash advance vouchers are completed when a petty cash advance is made, and that regular monthly cash counts are conducted.
- (35) That the CEO implement new internal control procedures to ensure a count of the administration office cash register float is performed each day as part of the End of Day Cash Register reconciliation. The count should be 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.
- (36) That the CEO consider introducing a Monthly Reconciliations Checklist that captures all end of month reconciliations.
- (37) That the CEO consider implementing an IT Security Policy and/or an IT Security Procedure.
- (38) That the CEO consider reviewing the procedure and protocols for checking out physical record files from the secure storage room.
- (39) That the CEO consider implementing a lockable key box at the depot to house all keys for plant and equipment.
- (40) That the CEO consider implementing an IT Disaster Recovery Plan that contains annual disaster recovery tests of full system restores.
- (41) That the CEO consider developing a Risk Management System that includes policies, operational procedures and key risk profiles.



- (42) That the CEO consider developing risk profiles for strategic and operational risks.
- (43) 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.
- (44) 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.
- (45) That the CEO consider implementing a Fraud and Corruption Policy.
- (46) That the CEO consider implementing a risk register.
- (47) That the CEO evaluate whether there is a need for the Audit Committee to meet more frequently than twice per year.
- (48) That the CEO consider implementing a work procedure for managing insurance claims, which will ensure consistency of claims management.
- (49) That the CEO implement new internal control procedures so that all general journals are approved and certified before entry into SynergySoft.
- (50) That the CEO consider developing a risk profile for Procurement, Asset Disposal, and Tender Practices.
- (51) That the CEO consider implementing a Misconduct Policy.

Opinion

Financial Management Review

The review of the Financial Management Systems and Procedures 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 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*.

Review of Legislative Compliance, Internal Control and Risk Management Systems

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.

