

SHIRE OF NUNGARIN

Financial Management Review 2023



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EXECUTIVE SUMMARY

Introduction

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.

The Financial Management Review provides the CEO and Council with an independent assessment of the appropriateness and effectiveness of the Shires' Financial Management Systems and whether the Shire has complied with the requirements of the *Local Government Act 1995* and the *Local Government [Financial Management] Regulations 1996*

Findings

Proper Collection of All Money Owing to the Shire

- (1) Council does not have a Policy on Collection of debts other than rates to provide guidance to staff on collection processes.
- (2) The cash float held by the Mangowine caretaker is not recorded in the Council's financial accounts as cash on hand.



- (3) The Accounts Receivable process has the following weakness; 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.
- (4) The Mail/Cashiering process has the following weakness: A count of the administration office cash register float is not performed each day as part of the End of Day Cash Register reconciliation by two employees. This approach provides for sound internal controls through good cash handling procedures and verification by two officers.

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

- (5) There are only informal procedures for key financial tasks. It is suggested that these informal procedures be compiled into detailed formalised procedures, with screenshots at critical stages of the process. This will allow any employee to temporarily fill a position in an emergency and follow the procedure document.
- (6) The Accounts Payable has the following weaknesses:
 - (a) There is a weakness in the creditors control system where the current certification stamp placed on supplier invoices does not provide for the data entry officer to initial they have checked additions on the invoice for accuracy, or that the GST amount raised in the software matches the GST amount on the supplier invoice. It also does not provide for the flagging of supplier invoices as input taxed detailing that GST cannot be claimed on the supplier invoice.
 - (b) There is a lack of internal controls in place for the management of GST raised on supplier invoices. Evidence indicates that only the total value of the supplier invoice is checked, and not the GST entries.
 - (c) There is no consistent check performed on whether the purchase has complied with Council's purchasing policy requirements in relation to three quotes for purchases over \$7,500 in value. It is noted that there are limited purchases made over this threshold.
 - (d) The introduction of a check for ABN registration on the certification stamp would be helpful, ensuring a check is performed on whether the supplier has an ABN and whether they are registered for GST.
 - (e) There is a lack of supporting documentation for the credit card batch payments processed in SynergySoft.
- (7) The analysis of the 207 payments, (165 EFT's and 42 cheques), revealed that:
 - (a) In the majority of instances, the certification stamp on supplier invoice was not signed by data entry officer that additions on the invoice had been checked for accuracy or the GST amount raised in the software matches the GST on the invoice (except where the expense is input taxed).
 - (b) There were 12 errors in the GST coding of supplier invoices, resulting in the underclaiming and overclaiming of entitled GST input tax credits.



- (c) There was 3 instance where no supporting documentation was attached to an EFT payment made.
- (d) There were 19 instances where no purchase order was attached to the supplier invoice to show that the order and supply of goods and services has been authorised.
- (e) There were several instances where no documentation was attached to the purchase order, or supplier invoice, to verify that the necessary quotations had been sought under the relevant purchase thresholds contained in Council's Purchasing Policy CM9.

Proper Authorisation for the Incurring of Liabilities and Making of Payments

- (8) From the sample payments reviewed, there were some instances where the ordering officer did not certify the invoice that goods have been received or services had been rendered.

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

- (9) It is essential that the Shire prepare all of its informing strategies to comply with *Local Government (Administration) Regulation 19DA(3)(c)*, including a Long-Term Financial Plan, a Workforce Plan, and Asset Management Plans for all relevant asset classes.

Internal Control Evaluation

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

- (a) 30-250.1.1 – All debtor invoices raised are properly supported/validated by goods/services being dispatched
 - (i) In a small number of cases, no documentation was sighted to support the raising of the debtor invoice, nor was there any ability to verify the fee charged was in accordance with the services provided.

It is suggested that all debtor invoices have supporting documentation attached to them to allow external auditors to verify the nature of the services provided and the fee being charged.

- (b) 30-250.1.2 - All invoices raised are bona-fide
 - (i) In a small number of cases, no documentation was sighted to support the raising of the debtor invoice.

It is suggested that all debtor invoices have supporting documentation attached to them to allow external auditors to verify the nature of the services provided

- (c) 30-270.2.3 – All sales invoices are correctly recorded in the accounts
 - (i) Reconciliation of debtor's general ledger control account to the debtor's subsidiary ledger is not performed.

It is suggested that a reconciliation of the debtor's general ledger control account is done to the debtor's subsidiary ledger at the end of each month. A copy of



this report should be counter-signed by the Manager Corporate Services (MCS) to certify the reconciliation has been checked by a supervisor.

- (ii) There is a lack of segregation between the debtor invoice raiser and the invoice approver.

The Shire employs a limited number of staff, so segregation of duties is difficult. It is recommended that the MCS undertake the role of checking debtor sales invoices raised and to certify debtor batch listings to improve internal controls.

- (d) 30.270.2.5 - All cash sales/miscellaneous receipts are accounted for

- (i) Aged care house rentals and other housing rentals are not recorded in SynergySoft debtors system to show whether the tenant is in advance or arrears in rental payments. A manual excel spreadsheet is kept to track tenants rent payments.

It is suggested rental invoices for each tenant be raised on an annual basis at the beginning of July each year. As rent is paid, cash receipts can be recorded against the debtor and reflect whether tenants are in advance or arrears with their rental payments

- (e) 30-300 – Receivables are properly credited, lapping is prevented

- (i) Long outstanding sundry debtors are not currently monitored adequately, with 6.15% of debts being outstanding for greater than 90 days.

It is suggested the CEO ensure continual monitoring, reviewing and follow-up of delinquent debtors is undertaken, with reviews being conducted at the end of each month with recovery action approved by the MCS/CEO.

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

- (i) Checking of debtor sales invoices to debtor batch transaction listing by a supervisor is not performed.

It is suggested that all debtor invoices have supporting documentation attached to them to allow the verification of the nature of the services provided and the fee being charged.

It is suggested the MCS undertake the role of checking invoices raised and to certify debtor batch listings to improve internal controls

- (g) 31-250.1.1 - All purchases/expenses and related liabilities are supported by evidence of relevant goods or services being received

- (i) A number of instances were identified where the incorrect amount of GST was paid/claimed due to a lack of segregation between supplier invoice entry and invoice approver.

The Shire employs a limited number of staff, so segregation of duties is difficult. It is suggested the MCS undertake the role of checking supplier invoices raised and to certify creditor batch listings to improve internal controls.



- (h) 31-250.1.2 – All payments made are adequately supported by documentation
- (i) There is a weakness present at invoice checking stage, where creditor invoice batch listings are not checked to the supplier invoice for correctness of GST, nor is the creditor's ABN verified or their GST registration status.
- It is suggested that the creditor invoice certification stamp be amended to include checks for GST calculation, GST registration and ABN verification. These additions, if used correctly, will improve internal control.
- (ii) Reconciliation of creditors general ledger control account to the creditors subsidiary ledger is not performed.
- It is suggested that a reconciliation of the creditors general ledger control account is done to the creditor's subsidiary ledger at the end of each month. A copy of this report should be counter-signed by the MCS to certify the reconciliation has been checked by a supervisor.
- (i) 31-300.3.1 – All goods or services acquired are properly authorised
- (i) 9.5% of the creditor invoices sampled in May 2022 and November 2022 had no purchase order attached to the invoice.
- It is suggested that the Accounts Payable process be updated to include a step where a creditor invoice does not have a purchase order, it is not entered or paid until such time as a purchase order is provided. This will ensure only bona-fide purchases are authorised and entered for payment.
- (j) 33-250.1.1 - Stocks and work-in-progress are adequately safeguarded
- (i) The calculation of physical fuel on hand compared to fuel stock on hand shows significant variation for month ending 28 February 2023.
- It is suggested that weekly reconciliations be performed for the next 2 months to identify cause of variation, with steps being implemented to mitigate the cause of the variation once located.
- (ii) Fuel receipts and issues are not recorded in a Stock on Hand system; they are expensed, and a journal is done at year end to bring in the value of stock. The lack of an up-to-date stock system can have an impact on the Net Current Asset Position of the Shire as reported at month end.
- 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
- (k) 33-330.4.1 - Stocks are properly and accurately costed
- (i) Stock transactions are not recorded in a stock system, they are expensed to the fuels and oils operating account. No end of month stock reconciliation is performed.

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 misstatement involved

- (l) 34-250.1.1 – Recorded cash funds exist
 - (i) A cash count was conducted of the petty cash float, and it was found to contain \$0.05 more than it should.

It is suggested that regular cash counts (at least monthly) are conducted and certified by two Council officers, and any discrepancy is rectified immediately.

Recommendations

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

- (1) That Council consider adopting a policy on Collection of Non-Rates Debts to assist guide staff.
- (2) That the CEO arrange for the cash float held at Mangowine to be recorded in the financial accounts of the Shire.
- (3) That the CEO implement new internal control procedures where the MCS undertakes the role of checking customer/debtor invoices raised and to certify debtor batch listings by verifying the customer invoices and supporting documentation to the Debtor Invoice Batch Report, and to check that the correct GST coding has been used and that the correct invoice amount has been raised.
- (4) 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.
- (5) That the CEO have staff prepare documented procedures, inclusive of screenshots at critical stages of the process.
- (6) That the CEO implement new internal control procedures to ensure the certification stamp on supplier invoices is signed by the data entry officer to verify they have check additions on the invoice for accuracy, and that the GST amount raised in the software matches the GST amount on the supplier invoice, or where residential property the input taxed supply flag is used.
- (7) 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.



- (8) That the CEO implement new internal control processes to the accounts payable procedure to ensure a check of the ABN registration of the supplier is performed to verify the suppliers ABN and also whether they are registered for GST.
- (9) That the CEO implement new internal control processes to the accounts payable procedure to ensure appropriate supporting documentation is included for credit card payments processed.
- (10) That Council place a priority on the review of its Strategic Planning documents and informing strategies.
- (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.

Opinion

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*.



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 Nungarin 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.

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 2021/22 and 2022/23 budget adoption process, imposed a late payment penalty interest charge of 7% 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 2021/22 and 2022/23 budget adoption process, imposed a rates and service instalment interest charge of 3.0%, 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 2021/22 and 2022/23 budget adoption process, imposed an administration fee of \$5.00 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 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. No fee is imposed for approved alternative payment options.

2.5 DISCOUNTS OFFERED ON CURRENT RATES

The Shire does not offer a discount on rates.

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 2021/22 financial year was 22.16%, an increase of 2.26% 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, or by credit card payment over the telephone.



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 Receiving System and posted to the Rates Subsidiary Ledger and General Ledger.

Credit card payments are taken over the telephone, with the ratepayer's details taken down and then processed via the EFTPOS terminal at the front counter. Once payment is verified the transaction is receipted into the Cash Receiving System and posted to the Rates Subsidiary Ledger and General Ledger.

2.9 MONEY COLLECTED FROM OUTSTATIONS

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

Administration Front Counter Cash Register Cash Float	\$100
Administration Petty Cash Float	<u>\$300</u>
	<u>\$400</u>

The Shire receives money collected from three outstations.

(1) Swimming Pool

The pool manager issues a receipt for daily entry takings and season passes purchased at the pool. A swimming pool cash float of \$100 was issued during 2022/23 from the Administration Petty Cash and will be returned at the closure of the pool season. Pool entry fees for 2022/23 are as follows:

Pool Admission Fees (GST Inc.)

Adult entry	\$2.00
Spectator entry	\$1.00
Pensioner concession entry	\$1.00
Child entry (3 - 17 years)	\$1.00
Family (immediate) season pass	\$125.00
Adult season pass	\$50.00
Child season pass (3 – 17 years)	\$25.00
Pensioner season pass	\$25.00

Season pass payments are processed at the Administration Centre and the Swimming Pool. A receipt is issued upon season pass payment. The Pool Manager keeps cash float of \$100 and cash takings in a locked cash tin. A manual cash receipt is issued for each daily entry fee received and any season passes paid for, and the Swimming Pool Manager records the attendance on the attendance sheet. At the end of the week the Swimming Pool Manager adds up all receipts and removes the total takings from the cash tin. The Swimming Pool Manager verifies \$100 float is retained in cash tin. Cash takings and receipts are delivered to the Shire's administration centre, where cash is verified to the receipts by the Customer Services Officer. A SynergySoft receipt is issued to the Swimming Pool Manager confirming that the takings balance to the total receipts.



The Swimming Pool Manager operates the kiosk privately and retains all sales proceeds. Monies from the kiosk are kept in a separate cash tin. The Swimming Pool Manager utilises the kiosk under a peppercorn rental.

Observations

A copy of the SynergySoft receipt should be attached to the group of weekly manual cash receipts so that there is evidence that the cash received at the Administration Office matches the total amount of the manual cash receipts issued.

The Shire needs to consider whether the use of the kiosk at the pool by the pool manager constitutes a disposal of property under Section 3.58 of the *Local Government Act 1995*; and whether there is a requirement to comply with the provisions of that section of the Act.

(2) Mangowine

The Mangowine caretaker receives cash and cheque payments from patrons utilising the camping facilities and entry to the Homestead facilities.

Mangowine Homestead Facilities

Entry fees to the homestead facilities are set based on adult, concession and child attendance.

Adult	\$4.00 per person
Concession	\$2.00 per person
Child	\$2.00 per person
Family	\$8.00

The caretaker writes the number of persons based on fee structure paying entry fee to homestead facilities in the attendance book and takes cash payment. At the end of the month the caretaker adds up entry fees collected and cross-checks with amount in attendance book and fills out Monthly Attendance Sheet. Caretaker then delivers the entry fee takings, net of the float, and the monthly attendance sheet to the Shires administration centre for verification and receipting. The Customer Services Officer, after verifying the cash takings, records the amount received into the Synergy cash receipts module.

Mangowine Camping Facilities

Camping fees are set based on a powered site or an unpowered site:

Sites

Powered site per night	\$ 22.00 per night
Power site per week	\$100.00 (Monday-Sunday)
Unpowered site per night	\$ 11.00 per night
Unpowered site per week	\$ 50.00 (Monday-Sunday)

The caretaker writes the number of camping nights and applicable camping fees into the attendance book and takes cash payment. At the end of the month the caretaker adds up cash takings and cross-checks with amount in attendance book and fills out Monthly Attendance Sheet. Caretaker then delivers the takings, net of the float, and the monthly attendance sheet to the Shires administration centre for verification and receipting. The Customer Services Officer, after verifying the cash takings, records the amount received into the Synergy cash receipts module.



Observations

The cash float held by the Mangowine caretaker is not recorded in the Council's financial accounts as cash on hand.

2.10 POLICIES RELATING TO DEBT COLLECTION

The Shire does have a Policy for the collection of outstanding rates debts and service charges – F5.

The Shire does not have a Policy for the collection of debts other than rates and service charges.

Observations

Council may wish to consider implementing a policy on the collection of debts other than rates to assist guide staff on collection processes and timelines to be followed.

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.

Mail/Cashiering mapped process weaknesses:

- (a) A count of the administration office cash register float is not performed each day as part of the End of Day Cash Register reconciliation by two employees. Not having two officers verify the cash count creates an internal control risk.



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

3.1 MONEY COLLECTED FROM OUTSTATIONS

No outstation takings are held overnight at the administration centre strong room.

- (i) All takings are held by the Swimming Pool Manager in a locked cash tin until receipted at the Administration Office.
- (ii) The Mangowine caretaker issues receipts from a numbered manual receipt book to each patron upon payment of the required fee. All takings are held in a locked cash tin until receipted at the Administration Office.

3.2 BANKING OF MONEY COLLECTED

Money collected at the Shire's administration centre is banked daily where possible at the local Commonwealth Bank Australia agency.

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 "F2- Investments of Funds", to ensure control over investments. The Shire has an Investment Register which is reported in the Council agenda when the Shire has funds invested in term deposits .

The Council has granted delegated authority 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 – Delegation 2.8.15.

Observations

Councils Investment Policy complies with the requirements of the Local Government Act 1995 and the Financial Management Regulations. , it could contain more detail to better reflect the requirements of Financial Management Regulation 19.

The Council's investment register complies with the requirements of Financial Management Regulation 19(2).



3.5 FIDELITY INSURANCE COVER

The Shire's Property insurance policy includes an extension cover for fidelity guarantee.

The Shire does have 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, noting that the Shire bears 20% of the claim cost in addition to the policy excess payable.



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 an external financial consultant, 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 PCS 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 with two virtual servers and one terminal services client for managing remote access;
 - Administration – 5 desktop/laptop computers and associated peripherals;
 - Depot - 1 desktop/laptop computer;
 - Police Licensing – 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, stores, bank reconciliations, dogs, property, trust, and central records.
 - Microsoft suite 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.
 - LMSI – 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 servers are the key storage medium for financial records and all the accounting and financial data is maintained on the above-mentioned systems.



4.3 DATA BACKUP

The Shire utilises the services of PCS, an Information and Communications Technology company located in Perth.

The Shire is in the process of implementing a new data backup solution as part of its Server upgrade, utilising Veeam backup and Replication. The solution will include an offsite facility as part of the backup solution.

The Shire is in the process of developing an ICT Disaster Recovery Strategy, which will include an ICT Data Backup and Recovery guideline.

Observations

Nil.

4.4 ELECTRONIC EQUIPMENT BREAKDOWN INSURANCE

The Shire's membership of the Municipal Property Scheme provides, under section 2 – Business Interruption, 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.

4.5 ADMINISTRATION CENTRE SECURITY

Council has installed a security system comprising of smoke alarms and movement sensors. Each employee has their own key to access the administration centre.

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 in the filing 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.



5.3 FINANCIAL SOFTWARE SYSTEM

The Chief Executive Officer, in conjunction with the Financial Consultant, monitors the operations of the Financial Software System on an ongoing basis along with IT consultants PCS. PCS 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.

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.

The Position Descriptions provide clear directions for the maintenance of most financial records and provide for separation of duties.

5.5 PROFESSIONAL DEVELOPMENT FOR STAFF

The Shire does not have a policy on staff training and professional development opportunities including attendance at conferences, seminars and study courses. It is suggested that the Council consider developing a policy, as this is an important avenue for staff to further enhance their skills and knowledge in managing the Shire's financial records.

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 a weakness in the creditors control system where the current certification stamp placed on supplier invoices does not provide for the data entry officer to initial they have checked additions on the invoice for accuracy, or that the GST amount raised in the software matches the GST amount on the supplier invoice. It also does not provide for the flagging of supplier invoices as input taxed detailing that GST cannot be claimed on the supplier invoice.
- (b) There is a lack of internal controls in place for the management of GST raised on supplier invoices. Evidence indicates that only the total value of the supplier invoice is checked, and not the GST entries
- (c) There is no consistent check performed on whether the purchase has complied with Council's purchasing policy requirements in relation to three quotes for purchases over \$7,500 in value. It is noted that there are limited purchases made over this threshold.
- (d) The introduction of a check for ABN registration on the certification stamp would be helpful, ensuring a check is performed on whether the supplier has an ABN and whether they are registered for GST.
- (e) There is a lack of supporting documentation for the credit card batch payments processed in SynergySoft.



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.

Mail/Cashiering mapped process weaknesses:

- (a) A cross-check of the cash register float is not performed by two officers.

Cheque and EFT Payment Observations

6 Cheque payments, 3 Direct Debit payments and 192 EFT payments for May 2022 and November 2022 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 201 payments, (192 EFT's, 3 direct debits and 3 cheques), revealed that:

- (a) In the majority of instances, the certification stamp on supplier invoice was not signed by data entry officer that additions on the invoice had been checked for accuracy or the GST amount raised in the software matches the GST on the invoice (except where the expense is input taxed).
- (b) There were 12 errors in the GST coding of supplier invoices, resulting in the underclaiming and overclaiming of entitled GST input tax credits.
- (c) There were 3 instances where no supporting documentation was attached to an EFT payment made.
- (d) There were 19 instances where no purchase order was attached to the supplier invoice to show that the order and supply of goods and services has been authorised.
- (e) There were several instances where no documentation was attached to the purchase order, or supplier invoice, to verify that the necessary number of quotations had been sought under the relevant purchase thresholds contained in Council's Purchasing Policy CM9.



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

6.1 AUTHORISATION OF PURCHASE ORDERS AND MAKING OF PAYMENTS

Policy “CM9 – Purchasing Policy” adopted by Council in October 2022 details the purchasing thresholds for obtaining quotes and tenders. Policy “F1 – Local and Regional Price Preference Policy” requires Officers to consider local businesses in their purchasing decisions and provide a 10% or 5% local price preference to local suppliers when obtaining quotations.

The Council of the Shire of Nungarin, through Delegation 2.8.13, 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 2.8.13, 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...”*

Policy “F4 – Corporate Credit Card” details the framework relating to the use of credit cards or corporate credit cards issued to employees.

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.

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, there were a small number of instances where the ordering officer did not certify the invoice that goods have been received or services had been rendered.

6.6 PURCHASING POLICY

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

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 Nungarin Procurement and Tender Policy 1.22 are as follows:

Amount of Purchase	Model Policy
\$0 - \$7,500	Quotations not required.
\$7,501 to \$50,000	Two written quotations required following a brief outlining the specific requirements.
\$50,001 - \$249,999	Obtain at least three written quotations from suppliers by formal invitation under an RFQ.
\$250,000 and over	Where the purchasing requirement is not suitable to be met through a panel of pre-qualified suppliers or any other tender exempt arrangements, conduct a public Tender Request.



Observations

Sample testing of payments and attached supporting documentation for May 2022 and November 2022 revealed there were 6 purchase instances where there was no documentation to support compliance with the Shire's Purchasing Policy. A total of 201 payments were included in the sample testing.

The implementation of an additional check on the invoice certification stamp to verify that the required number of quotations under the appropriate purchasing threshold have been obtained, may assist in ensuring all relevant documentation is attached to the supplier invoice at time of data entry.

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 quarterly BAS returns from July 2021 to December 2022 was undertaken. The review highlighted that all BAS returns were lodged on time.

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) In the majority of instances, the certification stamp on supplier invoice was not signed by data entry officer that additions on the invoice had been checked for accuracy or the GST amount raised in the software matches the GST on the invoice (except where the expense is input taxed).
- (b) There is no evidence a check is performed on whether the purchase has complied with Council's purchasing policy requirements in relation to three quotes for purchases over \$7,500 in value. It is noted that there are limited purchases made over this threshold.
- (c) There is a lack of internal controls in place for the management of GST raised on supplier invoices. Evidence indicates that only the total value of the supplier invoice is checked, and not the GST entries.



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 and history books are held as Stock on Hand, with a manual register detailing stock held as at 30 June 2022.

Observations

The fuel Stock/Stores system in Synergy has not been implemented. Whilst a physical fuel dip is done, and fuel receipts and issues are recorded, no formal reconciliation is done monthly.

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 computerised monthly stock reconciliation and allocation system would outweigh any benefit in minimising the risk of misstatement 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 are no weaknesses present.

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 Strategic Community Plan that incorporates a Corporate Business Plan. These Plans were adopted in 2023.

The Shire's informing strategies including Long Term Financial Plan (last adopted in 2013), Workforce Plan (last adopted in May 2013) and Asset Management Plans are due for review. Only its Asset Management Plan for Roads is current.

Observations

It is essential that the Shire prepare all of its informing strategies as a matter of urgency, to comply with *Local Government (Administration) Regulation 19DA(3)(c)*, including a Long-Term Financial Plan, a Workforce Plan, and Asset Management Plans for all relevant asset classes.

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 2022/23 Schedule of Fees and Charges was adopted by the Council at its meeting on 17 August 2022 via Resolution 6867/08/22.

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 Comprehensive Income by Program and by Nature/Type;
- (b) Statement of Financial Position;
- (c) Statement of Financial Activity;
- (d) Statement of Net Current Assets;
- (e) Statement of Material Variances; and
- (f) 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 Nungarin 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) 30-250.1.1 – All debtor invoices raised are properly supported/validated by goods/services being dispatched.
 - (a) In a number of cases, no documentation was sighted to support the raising of the debtor invoice.

It is suggested that all debtor invoices have supporting documentation attached to them to allow external auditors to verify the nature of the services provided and the fee being charged.



- (2) 30-250.1.2 - All invoices raised are bona-fide
- (a) In a number of cases, no documentation was sighted to support the raising of the debtor invoice, making it difficult to establish if the debtor invoice was bona-fide.
- It is suggested all debtor invoices have supporting documentation attached to them to allow external auditors to verify the nature of the services provided.
- (3) 30-270.2.2 – All sales invoices are correctly recorded in the accounts
- (a) Reconciliation of debtor's general ledger control account to the debtor's subsidiary ledger is not performed.
- It is suggested a reconciliation of the debtor's general ledger control account is done to the debtor's subsidiary ledger at the end of each month. A copy of this reconciliation report should be counter-signed by the Manager Corporate Services (MCS) to certify the reconciliation has been checked by a supervisor.
- (b) There is a lack of segregation between the invoice raiser and the invoice approver.
- The Shire employs a limited number of staff, so segregation of duties is difficult. It is recommended that the MCS undertake the role of checking sales invoices raised and to certify debtor batch listings to improve internal controls.
- (4) 30-270.2.5 – All cash sales/miscellaneous receipts are accounted for
- (a) Aged care house rentals and other housing rentals are not recorded in SynergySoft debtors system to show whether the tenant is in advance or arrears.
- It is suggested rental invoices for each tenant be raised on an annual basis at the beginning of July each year. As rent is paid, cash receipts can be recorded against the debtor and reflect whether tenants are in advance or arrears with their rental payments.
- (5) 30-300 – Receivables are properly credited, lapping is prevented
- (a) Long outstanding sundry debtors are not currently monitored adequately, with 6.15% of debts being outstanding for greater than 90 days.
- It is suggested Council implement a more rigorous monitoring, reviewing and follow-up of delinquent debtors, with reviews being conducted at the end of each month with recovery action approved by the MCS/CEO.
- It is suggested that Council consider implementing a Policy on the Collection of Money owing other than Rates to provide guidance to staff on debt collection procedures.
- (6) 30-330.4.1 – Sales invoices are correctly calculated
- (a) Checking of invoices to debtors batch transaction listing by a supervisor is not performed.
- It is suggested the MCS undertake the role of checking invoices raised and to certify debtor batch listings to improve internal controls.
- (7) 31-250.1.1 - All purchases/expenses and related liabilities are supported by evidence of relevant goods or services being received



- (a) A number of instances were identified where the incorrect amount of GST was paid/claimed due to a lack of segregation between supplier invoice entry and invoice approver.

The Shire employs a limited number of staff, so segregation of duties is difficult. It is recommended that the MCS undertake the role of checking supplier invoices raised and to certify creditor batch listings to improve internal controls.

- (8) 31-250.1.2 – All payments made are adequately supported by documentation

- (a) There is a weakness present at invoice checking stage, where creditor invoice batch listings are not checked to the supplier invoice for correctness of GST, nor is the creditor's ABN verified or their GST registration status.

It is suggested that the creditor invoice certification stamp be amended to include checks for GST calculation, GST registration and ABN verification. These additions, if used correctly, will improve internal control.

- (b) Reconciliation of creditors general ledger control account to the creditors subsidiary ledger is not performed.

It is suggested that a reconciliation of the creditors general ledger control account is done to the creditor's subsidiary ledger at the end of each month. A copy of this report should be counter-signed by the MCS to certify the reconciliation has been checked by a supervisor.

- (9) 31-300.3.1 – All goods or services acquired are properly authorised

- (a) 9.5% of the creditor invoices sampled in May 2022 and November 2022 had no purchase order attached to the invoice.

It is suggested that the Accounts Payable process be updated to include a step where a creditor invoice does not have a purchase order, it is not entered or paid until such time as a purchase order is provided. This will ensure only bona-fide purchases are authorised and entered for payment.

- (10) 33-250.1.1 - Stocks and work-in-progress are adequately safeguarded

- (a) The calculation of physical fuel on hand compared to fuel stock on hand shows significant variation for month ending 28 February 2023.

It is suggested that weekly reconciliations be performed for the next 2 months to identify cause of variation, with steps being implemented to mitigate the cause of the variation once located.

- (b) Fuel receipts and issues are not recorded in a Stock on Hand system; they are expensed, and a journal is done at year end to bring in the value of stock. The lack of an up-to-date stock system can have an impact on the Net Current Asset Position of the Shire as reported at month end.

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.



(11) 33-330.4.1 - Stocks are properly and accurately costed

- (a) Stock transactions are not recorded in a stock system, they are expensed to the fuels and oils operating account. No end of month stock reconciliation is performed.

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 misstatement involved.

(12) 34-250.1.1 – Recorded cash funds exist

- (a) A cash count was conducted of the petty cash float, and it was found to contained \$0.05 more than it should.

It is suggested that when a cash advance is made from the Petty Cash float, a petty cash issue voucher is completed, with regular cash counts (at least monthly) being conducted and certified by two Council officers.



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 are maintained in accordance with the legislation by the Shire.



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.

One area was identified where a Policy would be of benefit include-

1. A policy framework on collection of debts other than rates.



12.0 FINDINGS

Proper Collection of All Money Owing to the Shire

- (1) Council does not have a Policy on Collection of debts other than rates to provide guidance to staff on collection processes.
- (2) The cash float held by the Mangowine caretaker is not recorded in the Council's financial accounts as cash on hand.
- (3) The Accounts Receivable process has the following weakness; 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.
- (4) The Mail/Cashiering process has the following weakness: A count of the administration office cash register float is not performed each day as part of the End of Day Cash Register reconciliation by two employees. This approach provides for sound internal controls through good cash handling procedures and verification by two officers.

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

- (5) There are only informal procedures for key financial tasks. It is suggested that these informal procedures be compiled into detailed formalised procedures, with screenshots at critical stages of the process. This will allow any employee to temporarily fill a position in an emergency and follow the procedure document.
- (6) The Accounts Payable has the following weaknesses:
 - (a) There is a weakness in the creditors control system where the current certification stamp placed on supplier invoices does not provide for the data entry officer to initial they have checked additions on the invoice for accuracy, or that the GST amount raised in the software matches the GST amount on the supplier invoice. It also does not provide for the flagging of supplier invoices as input taxed detailing that GST cannot be claimed on the supplier invoice.
 - (b) There is a lack of internal controls in place for the management of GST raised on supplier invoices. Evidence indicates that only the total value of the supplier invoice is checked, and not the GST entries.
 - (c) There is no consistent check performed on whether the purchase has complied with Council's purchasing policy requirements in relation to three quotes for purchases over \$7,500 in value. It is noted that there are limited purchases made over this threshold.
 - (d) The introduction of a check for ABN registration on the certification stamp would be helpful, ensuring a check is performed on whether the supplier has an ABN and whether they are registered for GST.



- (e) There is a lack of supporting documentation for the credit card batch payments processed in SynergySoft.
- (7) The analysis of the 207 payments, (165 EFT's and 42 cheques), revealed that:
- (a) In the majority of instances, the certification stamp on supplier invoice was not signed by data entry officer that additions on the invoice had been checked for accuracy or the GST amount raised in the software matches the GST on the invoice (except where the expense is input taxed).
 - (b) There were 12 errors in the GST coding of supplier invoices, resulting in the underclaiming and overclaiming of entitled GST input tax credits.
 - (c) There was 3 instance where no supporting documentation was attached to an EFT payment made.
 - (d) There were 19 instances where no purchase order was attached to the supplier invoice to show that the order and supply of goods and services has been authorised.
 - (e) There were several instances where no documentation was attached to the purchase order, or supplier invoice, to verify that the necessary quotations had been sought under the relevant purchase thresholds contained in Council's Purchasing Policy CM9.

Proper Authorisation for the Incurring of Liabilities and Making of Payments

- (8) From the sample payments reviewed, there were some instances where the ordering officer did not certify the invoice that goods have been received or services had been rendered.

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

- (9) It is essential that the Shire prepare all of its informing strategies to comply with *Local Government (Administration) Regulation 19DA(3)(c)*, including a Long-Term Financial Plan, a Workforce Plan, and Asset Management Plans for all relevant asset classes.

Internal Control Evaluation

- (10) The Internal Control Evaluation has identified the following weaknesses-
 - (a) 30-250.1.1 – All debtor invoices raised are properly supported/validated by goods/services being dispatched
 - (i) In a small number of cases, no documentation was sighted to support the raising of the debtor invoice, nor was there any ability to verify the fee charged was in accordance with the services provided.

It is suggested that all debtor invoices have supporting documentation attached to them to allow external auditors to verify the nature of the services provided and the fee being charged.



- (b) 30-250.1.2 - All invoices raised are bona-fide
- (i) In a small number of cases, no documentation was sighted to support the raising of the debtor invoice.

It is suggested that all debtor invoices have supporting documentation attached to them to allow external auditors to verify the nature of the services provided

- (c) 30-270.2.3 – All sales invoices are correctly recorded in the accounts
- (iii) Reconciliation of debtor's general ledger control account to the debtor's subsidiary ledger is not performed.

It is suggested that a reconciliation of the debtor's general ledger control account is done to the debtor's subsidiary ledger at the end of each month. A copy of this report should be counter-signed by the Manager Corporate Services (MCS) to certify the reconciliation has been checked by a supervisor.

- (iv) There is a lack of segregation between the debtor invoice raiser and the invoice approver.

The Shire employs a limited number of staff, so segregation of duties is difficult. It is recommended that the MCS undertake the role of checking debtor sales invoices raised and to certify debtor batch listings to improve internal controls.

- (d) 30.270.2.5 - All cash sales/miscellaneous receipts are accounted for

- (i) Aged care house rentals and other housing rentals are not recorded in SynergySoft debtors system to show whether the tenant is in advance or arrears in rental payments. A manual excel spreadsheet is kept to track tenants rent payments.

It is suggested rental invoices for each tenant be raised on an annual basis at the beginning of July each year. As rent is paid, cash receipts can be recorded against the debtor and reflect whether tenants are in advance or arrears with their rental payments

- (e) 30-300 – Receivables are properly credited, lapping is prevented

- (i) Long outstanding sundry debtors are not currently monitored adequately, with 6.15% of debts being outstanding for greater than 90 days.

It is suggested the CEO ensure continual monitoring, reviewing and follow-up of delinquent debtors is undertaken, with reviews being conducted at the end of each month with recovery action approved by the MCS/CEO.

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

- (i) Checking of debtor sales invoices to debtor batch transaction listing by a supervisor is not performed.

It is suggested that all debtor invoices have supporting documentation attached to them to allow the verification of the nature of the services provided and the fee being charged.



It is suggested the MCS undertake the role of checking invoices raised and to certify debtor batch listings to improve internal controls

- (g) 31-250.1.1 - All purchases/expenses and related liabilities are supported by evidence of relevant goods or services being received
- (i) A number of instances were identified where the incorrect amount of GST was paid/claimed due to a lack of segregation between supplier invoice entry and invoice approver.

The Shire employs a limited number of staff, so segregation of duties is difficult. It is suggested the MCS undertake the role of checking supplier invoices raised and to certify creditor batch listings to improve internal controls.

- (h) 31-250.1.2 – All payments made are adequately supported by documentation
- (i) There is a weakness present at invoice checking stage, where creditor invoice batch listings are not checked to the supplier invoice for correctness of GST, nor is the creditor's ABN verified or their GST registration status.

It is suggested that the creditor invoice certification stamp be amended to include checks for GST calculation, GST registration and ABN verification. These additions, if used correctly, will improve internal control.

- (ii) Reconciliation of creditors general ledger control account to the creditors subsidiary ledger is not performed.

It is suggested that a reconciliation of the creditors general ledger control account is done to the creditor's subsidiary ledger at the end of each month. A copy of this report should be counter-signed by the MCS to certify the reconciliation has been checked by a supervisor.

- (i) 31-300.3.1 – All goods or services acquired are properly authorised
- (i) 9.5% of the creditor invoices sampled in May 2022 and November 2022 had no purchase order attached to the invoice.

It is suggested that the Accounts Payable process be updated to include a step where a creditor invoice does not have a purchase order, it is not entered or paid until such time as a purchase order is provided. This will ensure only bona-fide purchases are authorised and entered for payment.

- (j) 33-250.1.1 - Stocks and work-in-progress are adequately safeguarded
- (i) The calculation of physical fuel on hand compared to fuel stock on hand shows significant variation for month ending 28 February 2023.

It is suggested that weekly reconciliations be performed for the next 2 months to identify cause of variation, with steps being implemented to mitigate the cause of the variation once located.

- (ii) Fuel receipts and issues are not recorded in a Stock on Hand system; they are expensed, and a journal is done at year end to bring in the value of stock. The



lack of an up-to-date stock system can have an impact on the Net Current Asset Position of the Shire as reported at month end.

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

(k) 33-330.4.1 - Stocks are properly and accurately costed

- (i) Stock transactions are not recorded in a stock system, they are expensed to the fuels and oils operating account. No end of month stock reconciliation is performed.

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 misstatement involved

(l) 34-250.1.1 – Recorded cash funds exist

- (i) A cash count was conducted of the petty cash float, and it was found to contained \$0.05 more than it should.

It is suggested that regular cash counts (at least monthly) are conducted and certified by two Council officers and any discrepancy rectified immediately.



13.0 IMPROVEMENT RECOMMENDATIONS

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

- (1) That Council consider adopting a policy on Collection of Non-Rates Debts to assist guide staff.
- (2) That the CEO arrange for the cash float held at Mangowine to be recorded in the financial accounts of the Shire.
- (3) That the CEO implement new internal control procedures where the MCS undertakes the role of checking customer/debtor invoices raised and to certify debtor batch listings by verifying the customer invoices and supporting documentation to the Debtor Invoice Batch Report, and to check that the correct GST coding has been used and that the correct invoice amount has been raised.
- (4) 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.
- (5) That the CEO have staff prepare documented procedures, inclusive of screenshots at critical stages of the process.
- (6) That the CEO implement new internal control procedures to ensure the certification stamp on supplier invoices is signed by the data entry officer to verify they have check additions on the invoice for accuracy, and that the GST amount raised in the software matches the GST amount on the supplier invoice, or where residential property the input taxed supply flag is used.
- (7) 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.
- (8) That the CEO implement new internal control processes to the accounts payable procedure to ensure a check of the ABN registration of the supplier is performed to verify the suppliers ABN and also whether they are registered for GST.
- (9) That the CEO implement new internal control processes to the accounts payable procedure to ensure appropriate supporting documentation is included for credit card payments processed.
- (10) That Council place a priority on the review of its Strategic Planning documents and informing strategies.
- (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.



14.0 OPINION

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*.



ATTACHMENT 1

SAMPLE POLICIES AND DELEGATIONS



Policy Type:	
Date Adopted:	

Policy No:	XX
Date Last Reviewed:	

Legal (Parent):
<ol style="list-style-type: none"> 1. Local Government Act 1995 (As Amended) – Section 6.13. 2. Financial Management Regulations 19A & 19B

Legal (Subsidiary):
<ol style="list-style-type: none"> 1. 2.

Delegation of Authority Applicable	Yes
Delegation Number	

Work Procedure Applicable	No
Work Procedure Number	

ADOPTED POLICY	
Title:	COLLECTION OF NON-RATES DEBTS POLICY
Objective:	To provide for the collection of outstanding debts and charging of interest in relation to debts other than rates.

1.0 Debt Management

- 1.1 All monies owed to Council for any fee or charge raised under Sections 6.16 and 6.17 of the *Local Government Act 1995*, or any reimbursement that is due to Council, are deemed to be overdue following a period of thirty-five (35) days from the date of the original invoice.
- 1.2 If the invoice is not paid by the due date specified in 1.1, then the following recovery process will take place.
 - (a) For amounts outstanding for up to 30 days, the Responsible Officer is to issue a Statement to the debtor with an 'overdue' sticker attached to the Statement.
 - (b) For amounts outstanding for greater than 30 days but less than 60 days, the Responsible Officer is to issue a Statement to the debtor with 'any reason for overdue account' sticker attached to the statement.
 - (c) For amounts outstanding for greater than 60 days, the Responsible Officer is to issue a letter of demand to the debtor and instruct a debt collection agency to initiate debt recovery action.
 - (d) Any further line of credit is to be withdrawn until the debt is paid in full, or an arrangement has been entered into to pay off the outstanding debt.
- 1.3 Before any third party is engaged to take legal action to recover an outstanding debt, the CEO is to be consulted to ensure that this action is appropriate giving due consideration to all issues that have led to the debt being overdue and not paid.
- 1.4 Once all reasonable attempts to either locate the debtor or to obtain payment have failed, the responsible officer for raising the debt will be asked to submit a written request for the invoice to be considered for write off.
- 1.5 Approval will be sought from Council for the debt to be written off. Once approval has been received, the appropriate entries are to be made in the Accounts Receivable Ledger.



2.0 Debt Raised in Error or Debt Adjustment

- 2.1 If a debt has been raised in error or requires an adjustment then an explanation will be sought from the relevant staff members. Once this has been received a credit note request will be raised which is to be authorised by both the staff member who raised the initial invoice and the CEO.

3.0 Interest on Overdue Accounts

- 3.1 Interest may be calculated on the total outstanding debt once it has exceeded the due date of the invoice. The rate of interest imposed is that as determined by Council as contained in the Annual Budget and in accordance with Section 6.13 of the Local Government Act.



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



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		Date Prepared	27-Mar-2023

Selecting your Workpapers

Smart Review	5	Unanswered Questions	0	Incomplete WorkPapers	0
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Category	Description	Complete	Required	N/A	Reference	Status
IC Evaluation	Introduction				CM ¶30-000	
	Guide to Completion				CM ¶30-100	
Sales, Debtors and Cash Receipts	1. Existence/Occurance					
	Existence/Occurance 1.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-250 1.1	OK
	Existence/Occurance 1.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-250 1.2	OK
	2. Completeness/Classification					
	Completeness/Classification 2.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-270 2.1	OK
	Completeness/Classification 2.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-270 2.2	OK
	Completeness/Classification 2.3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-270 2.3	OK
	Completeness/Classification 2.4	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-270 2.4	OK
	Completeness/Classification 2.5	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-270 2.5	OK
	3. Ownership/Proprietary	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-300	OK
	4. Valuation/Measurement					
	Valuation/Measurement 4.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-330 4.1	OK
	Valuation/Measurement 4.2	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	¶30-330 4.2	N/A
	Valuation/Measurement 4.3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-330 4.3	OK
	5. Cut-off	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶30-350	OK
Conclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	¶30-200	N/A	
Purchases, Creditors and Cash Payments	1. Existence/Occurance					
	Existence/Occurance 1.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶31-250 1.1	OK
	Existence/Occurance 1.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶31-250 1.2	OK
	2. Completeness/Classification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶31-270	OK
	3. Ownership/Proprietary					
	Ownership/Proprietary 3.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶31-300 3.1	OK
	Ownership/Proprietary 3.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶31-300 3.2	OK
	4. Valuation/Measurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶31-330	OK
	5. Cut-off	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶31-350	OK
	Conclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	¶31-200	N/A
Property, Plant and Equipment	1. Existence/Occurance					
	Existence/Occurance 1.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶32-250 1.1	OK
	Existence/Occurance 1.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶32-250 1.2	OK
	2. Completeness/Classification					
	Completeness/Classification 2.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶32-270 2.1	OK
	Completeness/Classification 2.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶32-270 2.2	OK
	Completeness/Classification 2.3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶32-270 2.3	OK
	3. Ownership/Proprietary					
	Ownership/Proprietary 3.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶32-300 3.1	OK
	Ownership/Proprietary 3.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶32-300 3.2	OK
4. Valuation/Measurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶32-330	OK	
5. Cut-off	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶32-350	OK	
Conclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	¶32-200	N/A	
Inventories and Cost of Sales	1. Existence/Occurance					
	Existence/Occurance 1.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶33-250 1.1	OK
	Existence/Occurance 1.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶33-250 1.2	OK
	2. Completeness/Classification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶33-270	OK
	3. Ownership/Proprietary	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶33-300	OK
	4. Valuation/Measurement					
	Valuation/Measurement 4.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶33-330 4.1	OK
	Valuation/Measurement 4.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶33-330 4.2	OK
	5. Cut-off	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶33-350	OK
Conclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	¶33-200	N/A	



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		Date Prepared	27-Mar-2023

Selecting your Workpapers

Smart Review	5	Unanswered Questions	0	Incomplete WorkPapers	0
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Category	Description	Complete	Required	N/A	Reference	Status
Cash and Bank	1. Existence/Occurance					
	Existence/Occurance 1.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶34-250 1.1	OK
	Existence/Occurance 1.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶34-250 1.2	OK
	Existence/Occurance 1.3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶34-250 1.3	OK
	Existence/Occurance 1.4	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶34-250 1.4	OK
	2. Completeness/Classification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶34-270	OK
	3. Ownership/Proprietary	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶34-300	OK
	4. Valuation/Measurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶34-330	OK
	5. Cut-off	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶34-350	OK
Conclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	¶34-200	N/A	
Payroll	1. Existence/Occurance					
	Existence/Occurance 1.1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶38-250 1.1	OK
	Existence/Occurance 1.2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶38-250 1.2	OK
	Existence/Occurance 1.3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶38-250 1.3	OK
	2. Completeness/Classification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶38-270	OK
	3. Ownership/Proprietary	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶38-300	OK
	4. Valuation/Measurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶38-330	OK
	5. Cut-off	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	¶38-350	OK
Conclusion	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	¶38-200	N/A	
Overview	Reviewing Outstanding Items				Review	
	Points to be cleared				Cover	



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		Date Prepared	27-Mar-2023

Reviewing Outstanding Items		
Worksheet	Description	Error Description
¶30-250 1.1	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Existence / Occurrence 1.1	Control objective has not been met
¶30-250 1.2	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Existence / Occurrence 1.2	Control objective has not been met
¶30-270 2.2	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Completeness / Classification 2.2	Control objective has not been met
¶30-270 2.5	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Completeness / Classification 2.5	Control objective has not been met
¶30-300	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Ownership / Proprietary	Control objective has not been met
¶30-330 4.1	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Valuation / Measurement 4.1	Control objective has not been met
¶31-250 1.1	Internal Control Evaluation Form Purchases, Creditors and Cash Payments - Existence / Occurrence 1.1	Control objective has not been met
¶31-250 1.2	Internal Control Evaluation Form Purchases, Creditors and Cash Payments - Existence / Occurrence 1.2	Control objective has not been met
¶31-300 3.1	Internal Control Evaluation Form Purchases, Creditors and Cash Payments - Ownership / Proprietary 3.1	Control objective has not been met
¶33-250 1.1	Internal Control Evaluation Form Inventories and Cost of Sales - Existence / Occurrence 1.1	Control objective has not been met
¶33-330 4.1	Internal Control Evaluation Form Inventories and Cost of Sales - Valuation / Measurement 4.1	Control objective has not been met
¶33-330 4.2	Internal Control Evaluation Form Inventories and Cost of Sales - Valuation / Measurement 4.2	Control objective has not been met



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		Date Prepared	27-Mar-2023

Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Existence / Occurrence 1.1

330-250 1.1

Smart Review	1	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.

		Notes	W/P
		Supporting documentation is provided to the Sen Admin/ Customer Service Officer requesting the raising of invoices.	
		For amounts received other than over the counter, invoices are raised.	
		Invoices raised are not verified and checked by officers requesting the invoices.	
		Hire of Plant and Equip are recorded on a private works request form.	
		Hire of Facilities are recorded in Diary, Information recorded in Diary is used to raise invoices.	
		Schedule of Fees and Charges.	
		Debtors batch transaction listing is printed from synergy and filed by Sen Admin/ Customer Service Officer, batch is updated.	

Weaknesses	Impact on procedures	W/P
checking of invoices to Debtors Batch Transaction Listing not carried out nor to supporting documentation	No verification of correctness of data from supporting documentaion to invoices and invoices to debtors batch transaction listing, listing not signed and batch posting not authorised.	
No supporting documentation	Invoices checked to supporting documentation No documentation to invoices sighted inv no 1842, 1849, 1852, 1851.	

Has the control objective been met? N

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.	✓	X
(c) Supervision is effective.	✓	N



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[Goto CoverSheet](#)

[Goto CheckList](#)

Internal Control Evaluation Form			
Sales, Debtors and Cash Receipts - Existence / Occurrence 1.2			30-250 1.2
Smart Review	2	Unanswered Questions	0

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

Notes				WIP
			statements are not sent out to debtors on a regular basis.	
			supporting documentation not attached to invoices in many instances.	
			all invoices checked appear to be bona fide.	

Weaknesses	Impact on procedures	WIP
Supporting documentation to be attached to file copy of invoices raised	Sample check reveals that invoices are not supported in all instances.	

Has the control objective been met? N

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.	✓	N
(f) Supervision is effective.	✓	N



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[Goto CoverSheet](#)

[Goto CheckList](#)

Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Completeness / Classification 2.1

30-270 2.1

Smart Review	1	Unanswered Questions	0
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Audit assertion: **2. Completeness / Classification**
Control objective: 2.1 All goods dispatched are invoiced

		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.	✓	Y



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Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Completeness / Classification 2.2

730-270 2.2

Smart Review	2	Unanswered Questions	0
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Audit assertion:

2. Completeness / Classification

Control objective:

2.2 All sales invoiced are correctly recorded in the accounts.

		Notes	W/P
		All invoices raised are sequentially numbered.	
		Sample check of postings conducted.	
		All invoices are raised via financial software.	
		Customer Services Officer updates batch, invoices raised and sent customer.	
		Customer Services Officer updates debtors invoice batch in financial software.	
		Customer Services officer raises credit notes and states reason.	
		Customer Services Officer at year end checks debtors subsidiary ledger balance agrees to GL control account. Check carried out as at 28/02/2023 and they reconciled.	
		Customer Service Officer undertakes the raising of invoices and debtors control function.	

Weaknesses	Impact on procedures	W/P
Reconciliation of Debtors GL Control to Debtors Subsidiary Ledger to be done at month end	Posting errors may not be detected for sometime therefore reconciliations may be time consuming and Financial reports may contain errors.	
Segregation of Duties	The Shire only engages a limited number of staff therefore it is recommended that the MCS undertake the role of checking invoices raised, certify debtors batch listing and authorises posting to GL, and checks end of month reconciliation to improve internal control.	
Has the control objective been met?		N

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.	✓	X
(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.	✓	N
(f) Supervision is effective.	✓	Y



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Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Completeness / Classification 2.3

30-270 2.3

Smart Review	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
			Only stores held are history books and fuel	
			Sales are made to the public for blue metal, cracker dust, gravel and sand.	
			Private works are costed in accordance with the schedule of fees and charges by the Manager of Works.	
			Regional Road Group grants and main roads maintenance grants, insurance claims and workers compensation reimbursements.	
			Sales of standpipe water, and water consumption for Council and aged housing.	

Weaknesses	Impact on procedures	W/P

Has the control objective been met? Y

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



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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.

			Notes	W/P
			Sample test of daily cash receipting and bank deposit for October 2022.	
			Banking completed daily, when cash/cheques held.	
			Money is received at the following facilities, Admin Centre, Swimming pool and Mangowine Homestead.	
			Swimming Pool keep manual daily pool attendance list and bring takings to Admin Centre for receipting into shire records. Sample check of receipts issued reveal charges in accordance with Schedule of fees and charges and match attendance list 10 Jan 2023.	
			Mangowine Homestead takings are recorded on a monthly attendance sheet for entries and camping and Caretaker brings takings to Admin Centre for receipting into shire records.	
			Bank reconciliation prepared and checked monthly sample check conducted May 2022 and November 2022, bank reconciliations undertaken by consultant.	
			System generated receipt issued from Synergy for the Shire.	

Weaknesses	Impact on procedures	W/P
Synergy Receipt to be attached to Mangowine Homestead takings for the period	The process will confirm amounts equal and ensure supporting document verifies the amounts.	

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
(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.	✓	Y
(h) All amounts received are deposited intact and promptly.	✓	X
(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



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Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Completeness / Classification 2.5

30-270 2.5

Smart Review	0	Unanswered Questions	0
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Audit assertion: **2. Completeness / Classification**
Control objective: **2.5 All cash sales/misellaneous receipts are accounted for.**

	Notes	W/P
	Investment Register maintained for term deposits.	
	Shire has a Policy F2 for Investments and Surplus funds to comply with Reg 19 and 19C of the Financial Management Regulations 1996.	
	Delegation 2.18.15 Power to Invest funds.	
	Rent paid by staff is treated as a payroll deduction and posted directly to income account.	
	Shire rents to private individuals and aged accommodation. No invoices raised, manual records are maintained in Excel for each unit or house as to rent paid Schedule of fees and charges details the rental charge Sample check undertaken	
	Shire rents two houses to wheatbelt agcare no invoices raised manual records are maintained for rent paid Schedule of fees and charges details the rental charge	
	Proceeds sale of plant Supplier's Invoice state purchase price and trade-in value supplier is paid the net amount and grossed in the GL.	
	Interest received on investments account for.	

Weaknesses	Impact on procedures	W/P
Annual invoices to be raised for private , aged pensioner accommodation and Agcare	Sample check reveals that rental charges are in accordance with the schedule of fees and charges for Aged Pensioner Accommodation Single \$92 p/w and couple \$106 p/w. Agcare house \$106 p/w. Rent in arrears and in advance not reflected in financial records recommend the raising of invoices on annual basis to reflect rent owing and rent received to be posted to Debtors Subsidiary ledger to reflect whether tenants are in advance or in arrears.	

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

Control Conditions	Status	Answer
(a) The sources of miscellaneous receipts are identified.	✓	Y
(b) Miscellaneous receipts are taken up as a receivable or credited direct to an income account.	✓	Y
(c) Miscellaneous receipts are not obscured by being netted against a debit balance in the general ledger.	✓	Y
(d) There are proper controls over:	✓	Y
(i) Investment income	✓	Y
(ii) Sales of scrap	✓	X
(iii) Sales of fixed assets	✓	Y
(iv) Sales to employees	✓	X
(v) Rents	✓	Y
(e) Supervision is effective.	✓	Y



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Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Ownership / Proprietary

T30-300

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

	Notes	W/P
	Debtors Statements not currently produced. Should be produced at the end of each month.	
	The Shire does not have a Debt Collection Policy for Debts Other than Rates.	
	Customer Service Officer is responsible for collection of outstanding debts.	
	No Debt collection agency used.	

Weaknesses	Impact on procedures	W/P
Long outstanding debtors (excluding rates and charges)	The debtors aged trail balance (not including rates) as at 28/02/2023 indicates that \$11,845 was outstanding in excess of 90 days, total debtors outstanding amount to \$192,754 or 8.15% long outstanding debtors to be followed up.	
A policy on debt collection for debts other than rates should be adopted.	Provides sound guidance for staff on debt collection processes to be followed for debts other than rates.	

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.	✓	N
(f) Debtors subsidiary ledgers are balanced monthly to control accounts and are independently checked.	✓	N
(g) Deposit slips have a detailed breakdown of receipts deposited.	✓	Y
(h) Statements have been checked to reconciled debtors balances, and are independently mailed.	✓	N
(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



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Internal Control Evaluation Form			
Sales, Debtors and Cash Receipts - Valuation / Measurement 4.1			330-330 4.1
Smart Review	0	Unanswered Questions	0

Audit assertion: **4. Valuation / Measurement**
Control objective: **4.1 Invoices are correctly calculated.**

	Notes	W/P
	Fees and Charges Schedule	
	Calculations for private works undertaken by Manager of Works.	

Weaknesses	Impact on procedures	W/P
Checking of invoices to Debtors Batch Transaction Listing not carried out by supervisor, nor to supporting documentation.	No verification of correctness of data from supporting documentation to invoices and invoices to debtors batch transaction listing by supervisor; listing not signed and batch posting not authorised.	

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.	✓	Y



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Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Valuation / Measurement 4.3

130-330 4.3

Smart Review	0	Unanswered Questions	0
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Audit assertion: 4. Valuation / Measurement
Control objective: 4.3 Overdue accounts are followed up.

		Notes	W/P
		The Shire does have a policy for the recovery of outstanding debts F5.	
		Procedures adopted for the collection of outstanding debtors.	
		Debt Collection Agency not utilised	
		Delegation 2.8.14 Authority to write off Monies CEO max of \$1,000.	

Weaknesses	Impact on procedures	W/P
Outstanding Debtors not reviewed on a regular basis	Potential loss of revenue	

Has the control objective been met? Y

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



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Internal Control Evaluation Form			
Sales, Debtors and Cash Receipts - Cut-Off			
Smart Review	0	Unanswered Questions	0

Audit assertion: 5. Cut-Off
Control objective: 5.1 Sales are recorded in the same accounting period in which the goods were dispatched.

	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



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Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Existence / Occurrence 1.1

31-250 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.

		Notes	W/P
		Delegation 2.8.13 - Payments from Municipal or Trust Funds.	
		Policy No F1 - Local and Regional Price Preference Policy	
		Policy CM9 - Purchasing	
		Policy No CM9 - Purchasing Policy less than \$7500 no verbal or written quotes; over \$7500 and less than \$50,001 2 written quotes; \$50,001 - 249,999 3 written quotes. Over \$250,000 WALGA Preferred Supplier Panel, Govt CUA or Tender process.	
		Sample test of Vouchers for the months of May 2022 and November 2022. Sample tested 164 EFT and 3 Cheque payments.	
		BAS statements checked as to lodgement lodged on time.	

Weaknesses	Impact on procedures	W/P
Failure to claim for GST	EFT3470 JMT Mechanical incorrect coding for GST amount of GST overclaimed \$30.46; EFT3444 National Trust incorrect coding for GST, amount GST overclaimed \$151.21 (16/05/2022); EFT3830 - David Dhu incorrect coding for GST amount of GST underclaimed \$18.63 November 2022; EFT3802 Douglas Macaulay incorrect coding for GST amount of GST underclaimed \$8.18; EFT3848 - Pool & Pump Services incorrect coding for GST amount of GST underclaimed \$48.13; EFT3849 - SmartSheets Inc incorrect Gist coding amount of GST overclaimed \$140.73; EFT3860 - Walker Electrical Contractors incorrect GST Coding amount of GST \$60.48.	
No supporting Documentation	Building permit payment May 2022 - no supporting documentation. Credit card payment May 2022 - no supporting documentation. Septic tank fees May 2022 - no supporting documentation.	
PO not consistently raised for ordering of goods and services.	Sample of payments for May 2022 and November 2022 Totalled 192 EFT's, 3 DD's and 6 Cheques = 201 payments. 19 had no Po attached to the invoice = 9.5%.	

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) Receiving records are made of all goods received.	✓	N
(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.	✓	N
(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



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Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Existence / Occurrence 1.2

¶31-250 1.2

Smart Review	2	Unanswered Questions	0
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Audit assertion: 1. Existence / Occurrence
Control objective: 1.2 All payments made are adequately supported.

		Notes	W/P
		Creditors Batch transaction listing printed filed. Checked and certified by appropriate officers.	
		Creditors Aged Trail Balance not printed and checked to the GL control Account nor certified monthly.	
		Internal Fund Transfer are done electronically, transaction sheet is printed and filed.	
		Reimbursement Request by the supply of original documentation.	

Weaknesses	Impact on procedures	W/P
Checking of source documentation i.e. creditors invoices request for payment to Creditors Batch transaction list not done	Errors in GST posting not picked up as no check done to supplier invoice for GST. No ABN check done via ABR for registration.	
Checking Creditors Aged trail balance agrees with GL control Account	No verification at month end. Recommend that Customer Service Officer and MCS sign off each month.	

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.	✓	Y
(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.	✓	N
(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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Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Completeness / Classification

31-270

Smart Review	1	Unanswered Questions	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.

	Notes	W/P
	Sample check of invoices conducted.	

Weaknesses	Impact on procedures	W/P
Checking Creditors Aged trail balance agrees with GL control Account	No verification at month end. Recommend that Customer Service Officer and MCS sign off each month.	

Has the control objective been met?	Y
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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.	✓	N
(g) Goods delivered directly to customers are controlled promptly.	✓	X
(h) Supervision is effective.	✓	Y



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Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Ownership / Proprietary 3.1

T31-300 3.1

Smart Review	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.

	Notes	W/P
	Material Variance in Financial Activity Statement Reporting.	
	Sample of payments for May 2022 and November 2022 Totalled 192 EFT's, 3 DD's and 6 Cheques = 201 payments. 19 had no Po attached to the invoice = 9.5%.	
Weaknesses	Impact on procedures	W/P
Lack of purchase orders being raised to authorise purchase of good or services from suppliers.	Risk of unauthorised purchases occurring where no purchase order has been issued.	
Has the control objective been met?		Y
Control Conditions	Status	Answer
(a) Duties are segregated.	✓	Y
(b) All purchase requisitions, purchase orders, and cheque requisitions are approved.	✓	N
(c) Expenditure is maintained against authorised budget.	✓	Y
(d) Supervision is effective.	✓	Y



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Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Ownership / Proprietary 3.2

131-300 3.2

Smart Review	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.**

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



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Internal Control Evaluation Form

Purchases, Creditors and Cash Payments - Valuation / Measurement

T31-330

Smart Review	0	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.

	Notes	W/P
	Sample check of posting conducted.	

Weaknesses	Impact on procedures	W/P

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.	✓	Y
(d) Stock records are properly updated for purchases of inventory.	✓	Y
(e) Supervision is effective.	✓	Y



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Internal Control Evaluation Form			
Purchases, Creditors and Cash Payments - Cut-Off			T31-350
Smart Review	0	Unanswered Questions	0

Audit assertion: 5. Cut-Off
Control objective: 5.1 Transactions are recorded in the correct accounting period.

Notes				W/P
			Sample check undertaken to verify invoices posted in the correct accounting period.	
			no open orders issued.	

Weaknesses	Impact on procedures	W/P

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) The creditors listing is supported by goods received records.	✓	X
(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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Internal Control Evaluation Form

Property, Plant and Equipment - Existence / Occurrence 1.1

32-250 1.1

Smart Review	0	Unanswered Questions	0
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Audit assertion:
Control objective:

1. Existence / Occurrence
1.1 Assets are adequately safeguarded.

		Notes	W/P
		All keys for buildings and facilities kept in strongroom a key register is maintained by the responsible officer. All keys for plant & equipment kept in a lock box at depot and key register is maintained.	
		Accessibility to the depot is not restricted during working hours. Gates locked at end of day.	
		Security System installed for the office area of the Depot and Admin Centre.	
		Condition Report for buildings and other structures to be undertaken by consultant in during 2023.	
		Insurance policies reviewed annually.	
		Reg 17B of the Financial Management Regulations 1998 requires a local government to take all reasonable steps to protect assets from theft or loss.	

Weaknesses	Impact on procedures	W/P

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



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Internal Control Evaluation Form

Property, Plant and Equipment - Existence / Occurrence 1.2

T32-250 1.2

Smart Review	0	Unanswered Questions	0
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Audit assertion: 1. Existence / Occurrence
Control objective: 1.1 All assets recorded are adequately supported.

		Notes	W/P
		Asset register is updated yearly based on postings to the GL and related source documents.	
		Valuations of Assets undertaken on a 5 yearly rotational basis.	
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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Internal Control Evaluation Form

Property, Plant and Equipment - Completeness / Classification 2.1

32-270 2.1

Smart Review	0	Unanswered Questions	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.

		Notes	W/P
		Asset Register is updated yearly via source documents and entries in the GL.	

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 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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Internal Control Evaluation Form

Property, Plant and Equipment - Completeness / Classification 2.2

T32-270 2.2

Smart Review	0	Unanswered Questions	0
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Audit assertion: 2. Completeness / Classification

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

Notes			W/P
		Shire utilises Synergy and RAMMs Software Systems to record its fixed assets .	
		Asset Register updated yearly.	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	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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Internal Control Evaluation Form

Property, Plant and Equipment - Completeness / Classification 2.3

¶32-270 2.3

Smart Review	0	Unanswered Questions	0
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Audit assertion: 2. Completeness / Classification

Control objective: 2.3 All property, plant and equipment acquired properly recorded.

	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) 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



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Internal Control Evaluation Form

Property, Plant and Equipment - Ownership / Proprietary 3.1

T32-300 3.1

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

		Notes	W/P
		Policy CM9 - Purchasing.	

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

Property, Plant and Equipment - Ownership / Proprietary 3.2

¶32-300 3.2

Smart Review	0	Unanswered Questions	0
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Audit assertion:

3. Ownership / Proprietary

Control objective:

3.2 All disposals of assets are authorised.

		Notes	W/P
		Disposal of assets are 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

332-330

Smart Review	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.

		Notes	W/P
		Capitalisation threshold is \$5,000 in accordance with Reg 17A(5) of the Financial Management Regulations 1998.	
		Requirement to revalue assets based on fair value for all asset classes, except plant & Equipment, and Furniture & Equipment.	

Weaknesses	Impact on procedures	W/P

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

Control Conditions	Status	Answer
(a) A detailed asset register is maintained.	✓	Y
(b) There are formal written policies and instructions regarding capitalisation of assets.	✓	Y
(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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Internal Control Evaluation Form

Property, Plant and Equipment - Cut-Off

332-350

Smart Review	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.

Notes			W/P
	Sample check undertaken to verify invoices posted		
	no open orders issued.		

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

Has the control objective been met? Y

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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Internal Control Evaluation Form

Inventories and Cost of Sales - Existence / Occurrence 1.1

33-250 1.1

Smart Review	2	Unanswered Questions	0
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Audit assertion:
Control objective:

1. Existence / Occurrence
1.1 Stocks and work-in-progress are adequately safeguarded.

		Notes	W/P
		Stock worksheets sighted for the month ended 31 DEoember 2022 comprising of fuel issues, Diesel Fuel Reconciliation for main tank and fuel trailer in litres, Fuel Delivery Docket. For unleaded Fuel Card System is used from local supplier - Great Southern Fuel. Stock on Hand represents Diesel and Local History Book - A Piece of String.	
		All fuel purchased for Diesel is recorded into stock and allocated to plant on a monthly basis via general journal. Calculation is based on Diesel Fuel Allocation Quantities x the last purchase price shown on the Delivery Docket. For unleaded fuel, dockets are posted direct to plant. Diesel unit price check at 30 June 2022 shows correct Ex GST fuel price for fuel allocations to vehicles.	
		The Shire maintains fuel bowsers and issues are manually recorded in the Deisel Fuel Allocation Sheet for the month.	
		At year end the the physical stock reading is used as the stock on hand.	
		At 30 June 2022 the value of fuel on hand was \$4,333.23	

Weaknesses	Impact on procedures	W/P
Reconciliation of Fuel on Hand discrepancies at month end.	Variances between physical fuel on hand and balance record on closing stock sheet. Potentially due to unrecorded fuel issue entries. Results in under allocation of fuel costs to jobs.	

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.	✓	Y
(c) There is adequate protection against fire and deterioration.	✓	Y
(d) Insurance cover is adequate and regularly reviewed.	✓	Y
(e) Items received into stock are properly controlled.	✓	Y
(f) Stock usage and transfers are properly controlled.	✓	N
(g) Stocks held by third parties are properly controlled.	✓	X
(h) Supervision is effective.	✓	N



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Inventories and Cost of Sales - Existence / Occurrence 1.2

33-250 1.2

Smart Review	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.

		Notes	W/P
		Employees are provided with a fuel card to access the fuel bowser for unleaded. For diesel issues are recorded on the Deisel Fuel Allocation Sheet. The Deisel Fuel Reconciliation records the actual quantities held.	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	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.	✓	Y
(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

33-270

Smart Review	0	Unanswered Questions	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.

		Notes	WP
		Fuel issues and purchases are properly recorded.	
		At year end GL stock on Hand is updated.	
Weaknesses	Impact on procedures		WP

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

Control Conditions

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.	✓	Y
(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

33-300

Smart Review	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.

	Notes	W/P

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

T33-330 4.1

Smart Review	2	Unanswered Questions	0
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Audit assertion: **4. Valuation / Measurement**
Control objective: 4.1 Stocks are properly and accurately costed.

	Notes	W/P
	The Shire does charge the cost of fuel to the appropriate plant and expense accounts.	

Weaknesses	Impact on procedures	W/P
Reconciliation of Fuel on Hand discrepancies at month end.	Variances between physical fuel on hand and balance record on closing stock sheet. Potentially due to unrecorded fuel issue entries. Results in under allocation of fuel costs to jobs.	

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

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.	✓	N
(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.	✓	N



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Internal Control Evaluation Form Inventories and Cost of Sales - Valuation / Measurement 4.2

¶33-330 4.2

Smart Review	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.**

		Notes	W/P
		At year end the value for fuel on hand is calculated based on the last price received from supplier times the quantity.	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	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:	✓	Y
(i) made	✓	Y
(ii) independently checked	✓	Y
(iii) authorised	✓	Y



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Internal Control Evaluation Form

Inventories and Cost of Sales - Cut-Off

¶33-350

Smart Review	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.

		Notes	W/P
		A stock take of fuel is undertaken monthly and adjustments to stock on hand are expensed in the same financial year.	

Weaknesses	Impact on procedures	W/P

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

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



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Internal Control Evaluation Form

Cash and Bank - Existence / Occurrence 1.1

134-250 1.1

Smart Review	0	Unanswered Questions	0
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Audit assertion: **1. Existence / Occurrence**
Control objective: 1.1 Recorded cash funds exist.

		Notes	W/P
		Customer Service Officer is responsible for petty cash advances to staff at the Administration Centre.	
		Petty Cash Float- \$300 Cash count conducted cash held was \$300.00, but an extra money bag contained \$0.05.	
		Cash Till Floats- Office \$100	
		Cash takings are stored in locked cash boxes and held in the safe.	
		Cash takings are taken to Administration Centre for receipting on a monthly basis for Mangowine Homestead and at regular intervals for the swimming pool.	
		Checked floats agree to the GL.	

Weaknesses	Impact on procedures	W/P
Petty Cash Float did balance at the time cash count was conducted, but there was an extra \$0.05 cents held in a money bag in the petty cash tin.	Over by \$0.05	

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.	✓	N
(f) Supervision is effective.	✓	Y



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Internal Control Evaluation Form

Cash and Bank - Existence / Occurrence 1.2

¶34-250 1.2

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

	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) 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

Cash and Bank - Existence / Occurrence 1.3

T34-250 1.3

Smart Review	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.**

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

Cash and Bank - Existence / Occurrence 1.4

¶34-250 1.4

Smart Review	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.

	Notes	W/P

Weaknesses	Impact on procedures	W/P

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

Control Conditions	Status	Answer
Refer to Purchases, creditors internal control evaluation and cash payments (¶31-250)	✓	Y



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Client Details

Client Name	Shire of Nungarin	Preparer	Darren Long
Client Code		Reviewer	
Period Start	1-Feb-2022	Period End	28-Feb-2023
		Date Prepared	27-Mar-2023

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Internal Control Evaluation Form

¶34-270

Cash and Bank - Completeness / Classification

Smart Review	0	Unanswered Questions	0
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Audit assertion: **2. Completeness / Classification**
Control objective: 2.1 All cash remittances received are deposited.

			W/P
Weaknesses	Impact on procedures	W/P	
Has the control objective been met?			Y
Control Conditions			
Refer to Sales, debtors and cash receipt's internal control evaluation (¶30-270)		Status	Answer
		✓	Y



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Internal Control Evaluation Form			
Cash and Bank - Ownership / Proprietary			
Smart Review	0	Unanswered Questions	0

Audit assertion: 3. Ownership / Proprietary
Control objective: 3.1 Bank accounts are opened only in the client's name.

			Notes	W/P
			Authority to open and close bank a/cs is with Council authorisation as there is no policy or delegation in place.	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	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

Smart Review	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.

	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 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

T34-350

Smart Review	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.

	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

Smart Review	0	Unanswered Questions	0
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Audit assertion:

1. Existence / Occurrence

Control objective:

1.1 Adequate security and authorisation over payroll transactions.

		Notes	W/P
		Payment of salaries and wages via direct debts.	

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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Client Details

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		Date Prepared	27-Mar-2023

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Internal Control Evaluation Form

Payroll - Existence / Occurrence 1.2

136-250 1.2

Smart Review	0	Unanswered Questions	0
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Audit assertion:

1. Existence / Occurrence

Control objective:

1.2 Payroll cheques are issued only for individuals who work for the client.

		Notes	W/P
		Outside staff prepare daily time cards and are properly authorised by a respective supervisor in some instances Cleaner prepares f/n timesheets.	
		Inside staff timesheets are completed. Inside staff on standard pays varied for AL, LSL, SL PH, overtime etc.	
		Skeleton Weed Control Officer prepares F/N timesheets.	
		Swimming Pool Manager prepares fortnightly timesheets during pool season.	
Weaknesses		Impact on procedures	W/P

Has the control objective been met?

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

Payroll - Existence / Occurrence 1.3

¶36-250 1.3

Smart Review	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.

	Notes	W/P
	As per timesheets and standard pays. Sample tested 12 May 2022.	

Weaknesses	Impact on procedures	W/P

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

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



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Internal Control Evaluation Form

Payroll - Completeness / Classification

P36-270

Smart Review	0	Unanswered Questions	0
---------------------	---	-----------------------------	---

Audit assertion: **2. Completeness / Classification**
Control objective: 2.1 Recorded payroll transactions are correctly summarised and posted.

	Notes	W/P
	Sample tested 12 May 2022.	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	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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Client Details

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Internal Control Evaluation Form

Payroll - Ownership / Proprietary

136-300

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

Notes	W/P

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	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

136-330

Payroll - Valuation / Measurement

Smart Review	0	Unanswered Questions	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.

	Notes	WIP

Weaknesses	Impact on procedures	WIP

Has the control objective been met?	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



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		Date Prepared	27-Mar-2023

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Internal Control Evaluation Form

T36-350

Payroll - Cut-Off

Smart Review	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.

	Notes	W/P

Weaknesses	Impact on procedures	W/P

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

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
PETTY CASH**



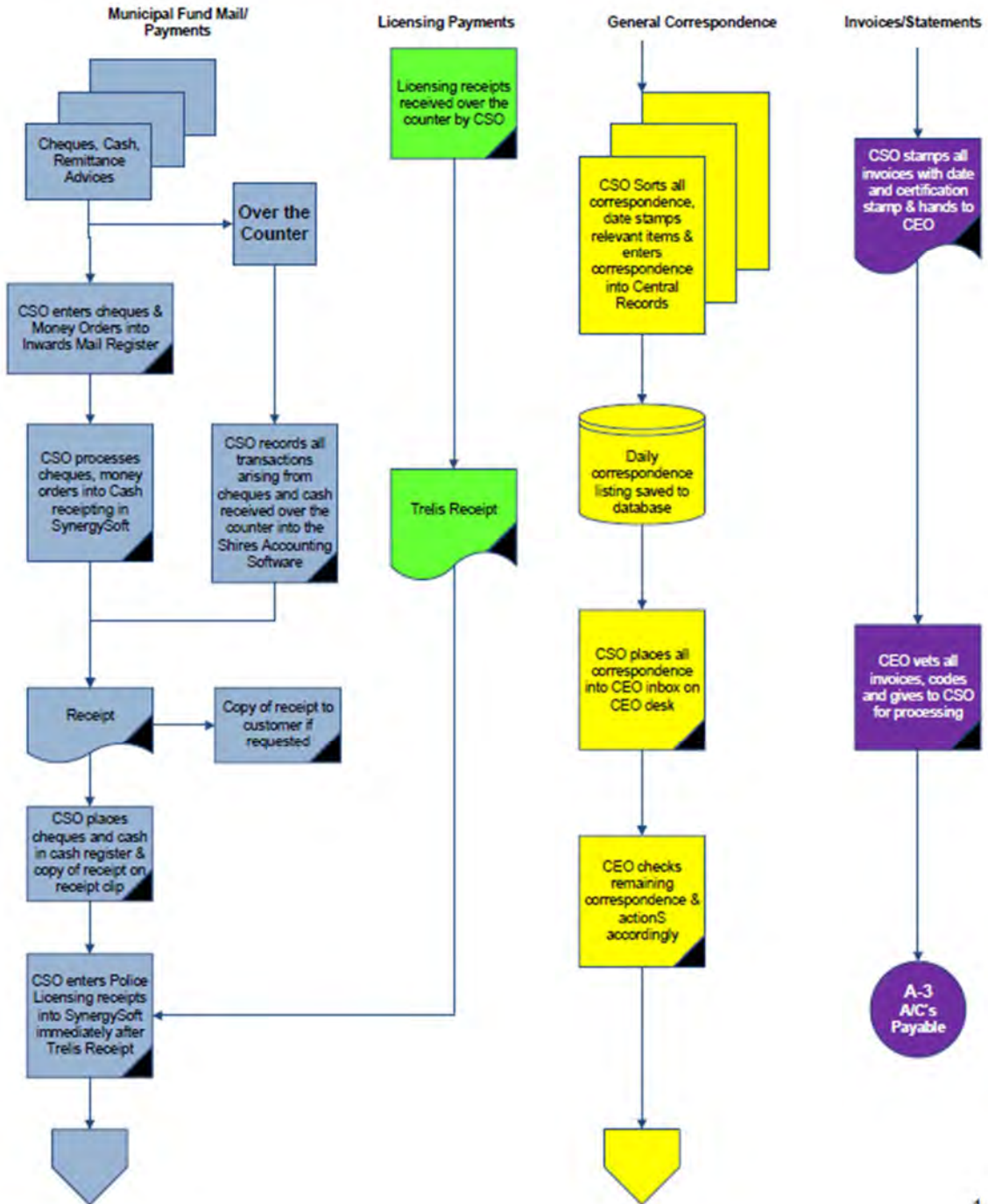
SHIRE OF NUNGARIN

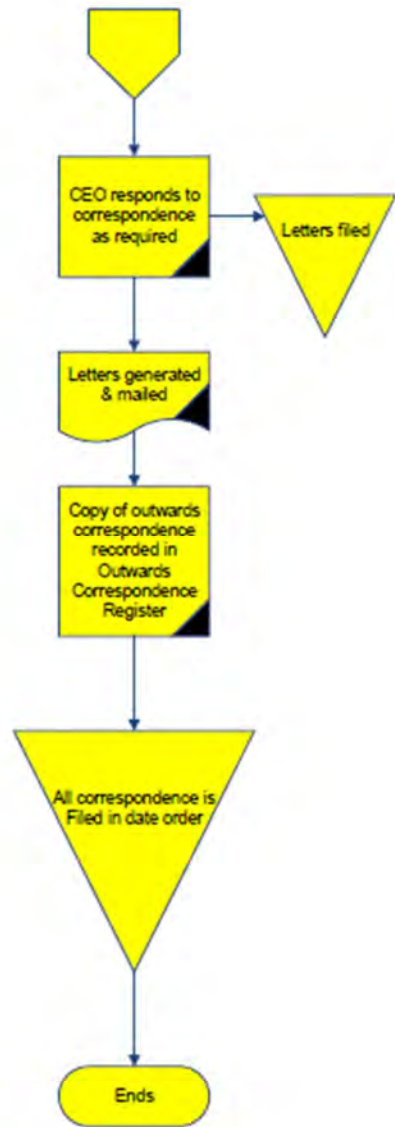
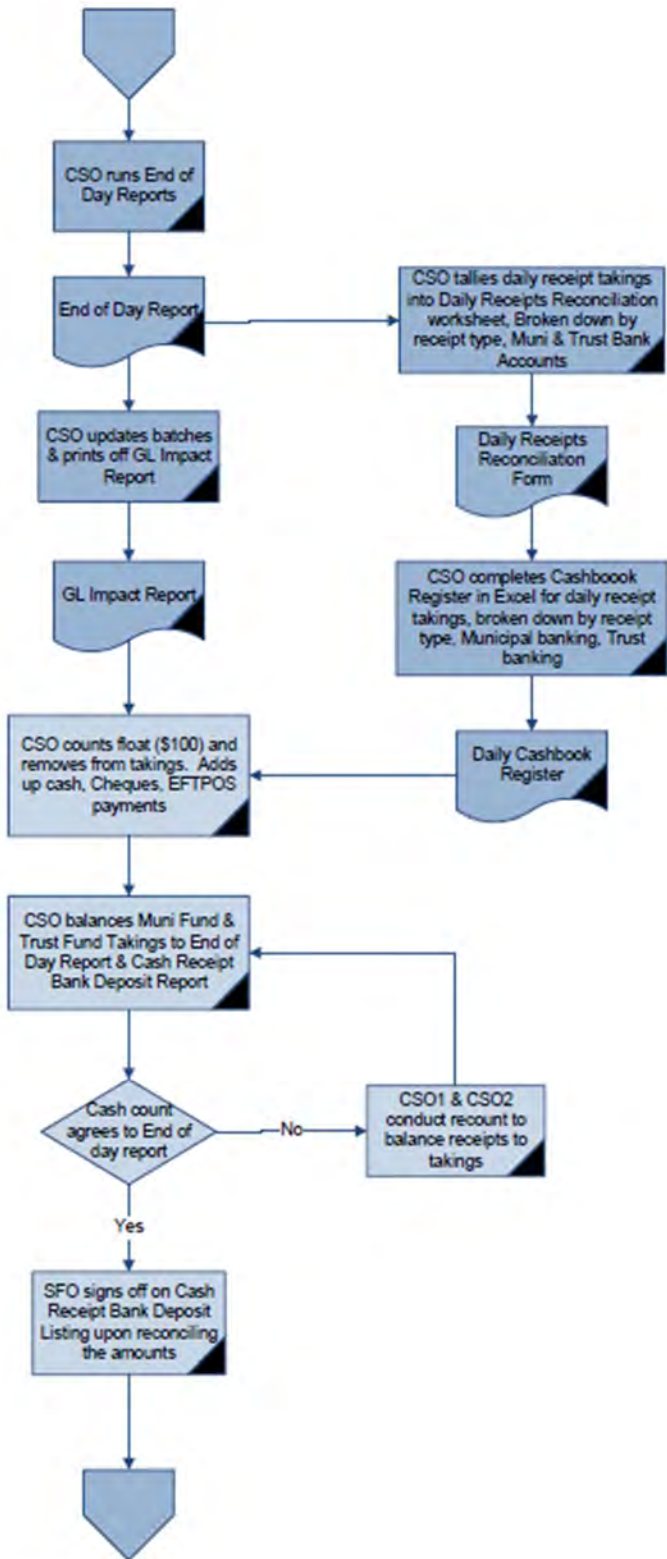
Mail/Cashiering

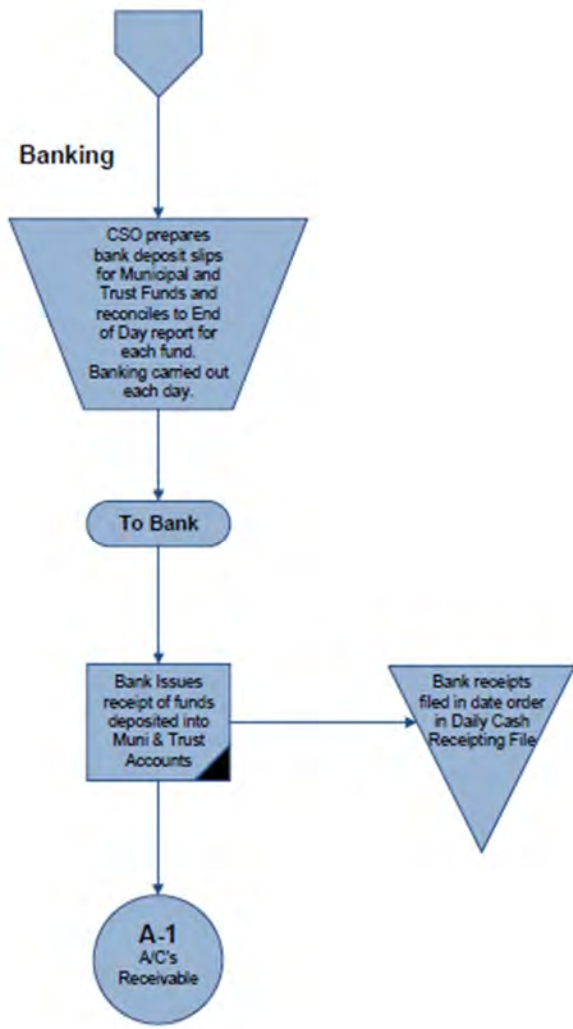
Flowchart

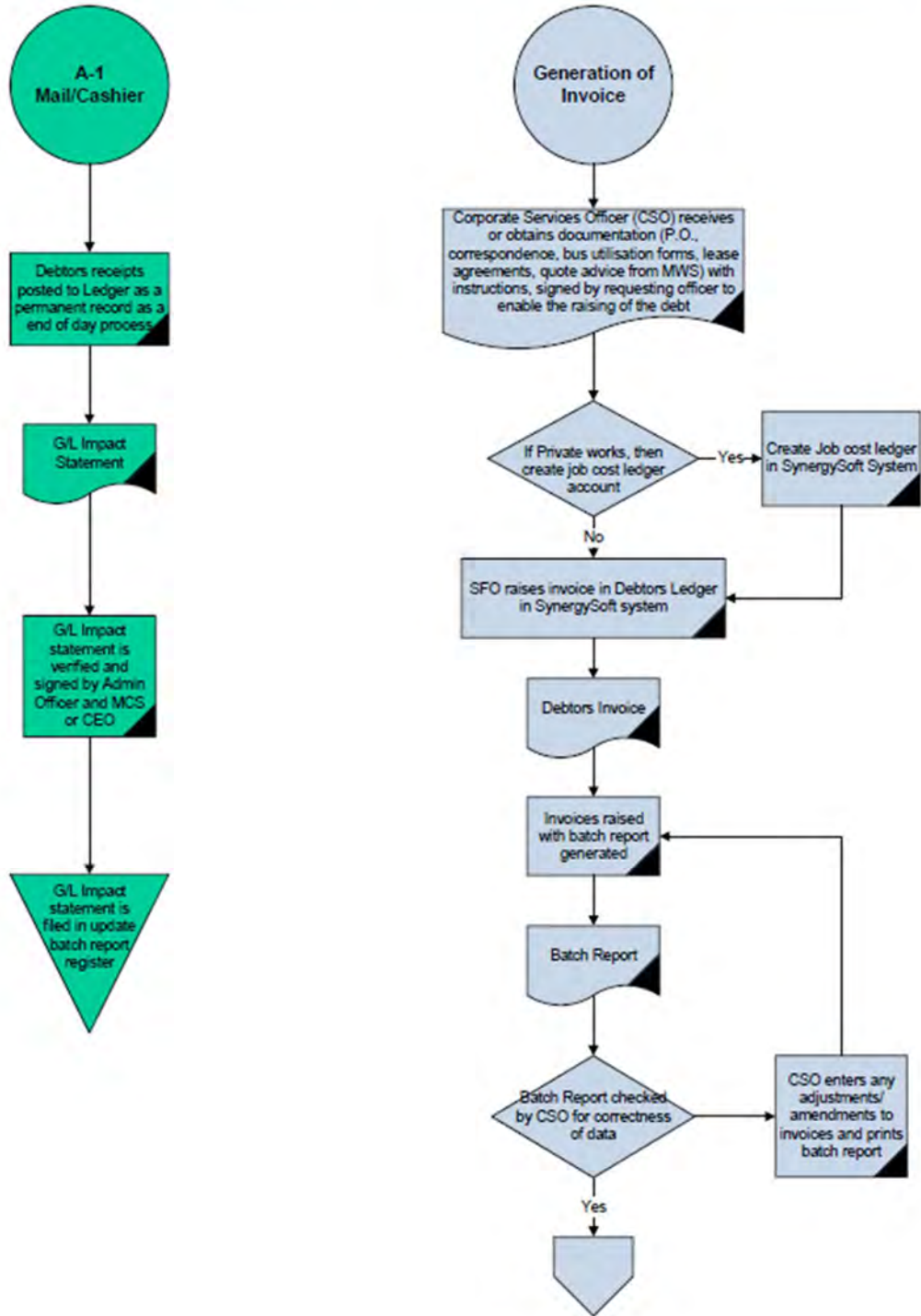
16/05/2023

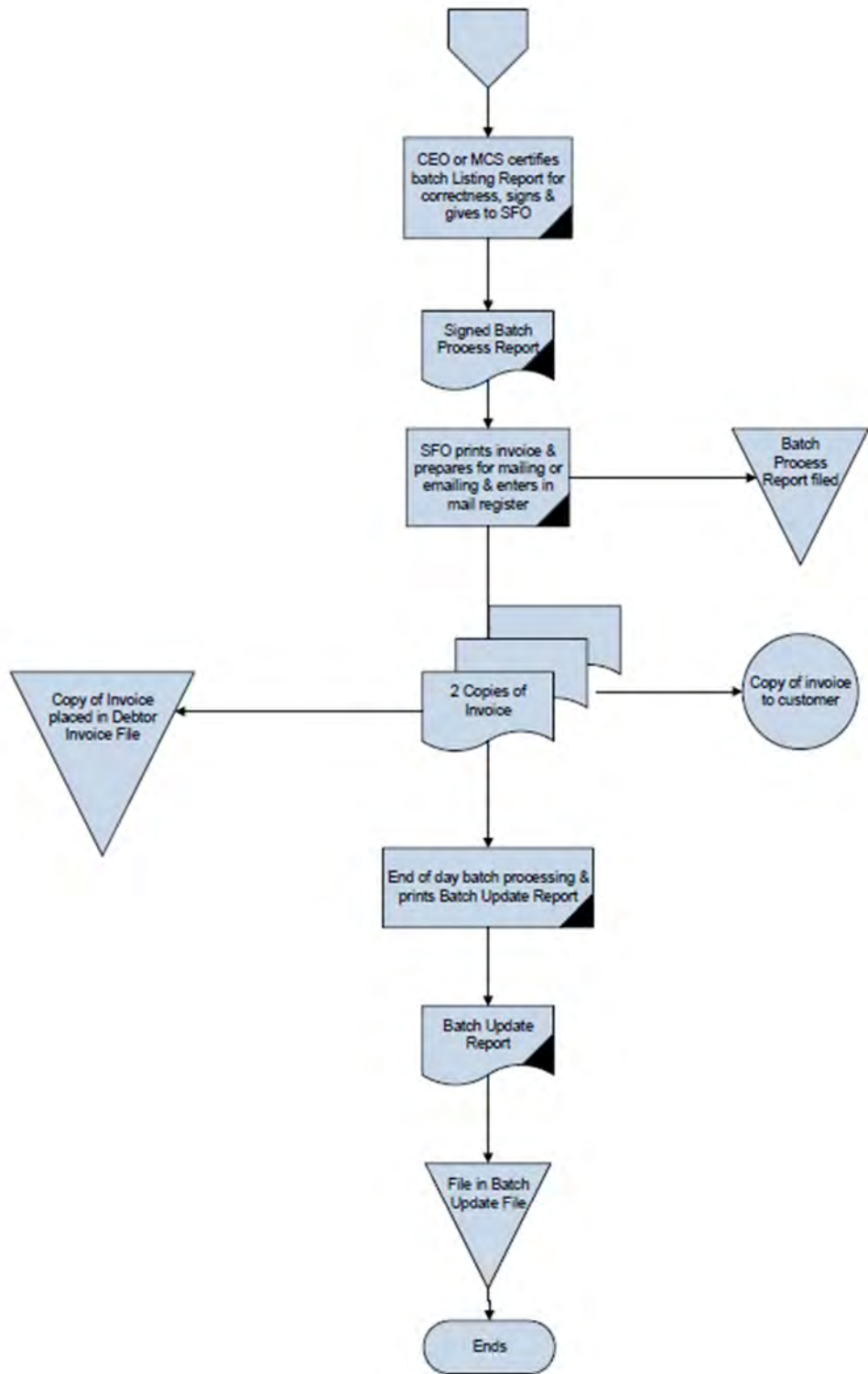
Council Officers collect mail from post office. CSO sorts all incoming correspondence into the categories listed below and records in Inwards Mail Register. All items of correspondence, including payments, are date stamped upon receipt.











SHIRE OF NUNGARIN

Accounts Payable Flowchart 28/04/2023

