



SHIRE OF  
**MERREDIN**  
INNOVATING THE WHEATBELT

# Shire of Merredin Significant Audit Findings Report 20/21

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Current year issues</b>			
1. Approval of credit card transactions	✓		
<b>Matters outstanding from prior year</b>			
2. Journals not independently review	✓		

## 1. Approval of Credit Card Transactions

### Finding

We noted four of the twelve sampled credit card statements were only signed off by credit card holders and were not independently reviewed by a senior staff member for payment authorisation.

The Shire's Council reviews card transactions and approves credit card statements on monthly basis in the Council meeting. However, approval has not occurred for the financial year 2020-21.

### Rating: Significant Implication

Appropriate approval of credit card transactions is necessary to ensure that expenditure is appropriate and unauthorised transactions are detected and not processed.

### Recommendation

The Shire should ensure that senior staff member, independent to the card holder, should review, sign and date the monthly credit card statement to identify any usual card use.

The Council to review and approved the credit card statements in the Council meeting.

### Management Comment

<p><b>Action 1:</b></p> <p><b>Process change implementation</b></p>	<p><b>Action:</b> <i>A process has recently been implemented whereby all credit cards held by executive staff must be signed off by the card holder and then be signed off by the CEO. For the card held by the CEO, a member of the executive will provide the secondary authorisation. To verify this the Executive Manager Corporate Services must check all statements before they are issued to Council for approval, to ensure this process has been followed. Singed off Credit statements will be submitted monthly to Council with the payment listing schedule and approved by Council.</i></p> <p><b>Responsible Person:</b> Chief Executive Officer <b>Completion Date:</b> Completed 15/03/2022</p>
<p><b>Action 2:</b></p> <p><b>Documentation of change</b></p>	<p><i>The Shire has an existing credit card policy (3.22 Credit Card Policy) in our Policy manual that will be updated to clarify this requirement.</i></p> <p><b>Responsible Person:</b> Executive Manager Corporate Services <b>Completion Date:</b> To be completed by 31/12/2022</p>

## 2. Journals Not Independently Approved

### Finding

This finding has not been resolved. In addition, during the current year audit assessment we noted that 7 of 10 the journal entries tested samples did not have supporting documentation on file related to the following journal type:

- same account code reclassifications - 2 journals
- clearing suspense account – 1 journal
- stock allocation – 1 journal
- correction of account classification – 3 journals

### Finding 2019 - 2020

We noted that journal entries processed in the accounting system are processed and posted by the Executive Manager Corporate Services on a monthly basis in preparation of the monthly financial reports. There is no evidence that these are formally reviewed by a second officer.

### Rating: Significant (2020: Significant)

#### Implication

If journals are not independently reviewed and approved and made with supporting documentation, there is a risk that erroneous or fraudulent transactions may pass undetected. Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be appropriately reviewed and approved.

#### Recommendation

We recommend that a person more senior than the preparer such as the Chief Executive Officer, formally authorises the journal entries and evidences this by way of signature and all journals should have supporting documentation maintained on file.

#### Management Comment

<p><b>Action 1:</b></p> <p><b>Process change implementation</b></p>	<p><b>Action:</b></p> <p><i>The Shire notes journals should be reviewed prior to posting.</i></p> <p><i>As this issue was also identified by the Shires financial consultant helping with audit, a process for this has already been implemented. The Executive Manager Corporate Services has implemented that all journals will be processed only by either the Senior Finance Officer, Finance Officer or Financial Consultant and must be signed off by the Executive Manager Corporate Services. Where there is an emergency circumstance whereby no approved officer can complete this process, the Executive Manager may complete a journal, but it must be then signed off by the CEO. The updated practice is to ensure there is always a senior level employee overseeing the process, before posting.</i></p> <p><b>Responsible Person:</b> Executive Manager Corporate Services <b>Completion Date:</b> Completed on 15/03/2022</p>
<p><b>Action 2:</b></p> <p><b>Documentation of change</b></p>	<p><i>A work instruction will be created to document this process.</i></p> <p><b>Responsible Person:</b> Executive Manager Corporate Services <b>Completion Date:</b> To be completed by 31/12/2022</p>