



SHIRE OF
MERREDIN
INNOVATING THE WHEATBELT

Shire of Merredin Significant Audit Findings Report 21/22

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Bank reconciliations	✓		
2. Review of risk management system and procedures	✓		

1. Bank reconciliations

Finding:

We noted that the bank reconciliations for the months of July 2021 to May 2022 were performed in September 2022, while the reconciliation for June 2022 was performed in October 2022.

We further noted that the preparation and review of bank reconciliations are not dated, therefore there is no evidence to support that the bank reconciliations are prepared and reviewed shortly after month end.

Rating: Significant

Implication:

Bank reconciliation is a fundamental internal control in accounting to ensure that there are no transactions that have been misstated. The timely preparation of bank statements shortly after month end is important to ensure that any errors or omissions are identified and corrected for the preparation of the monthly financial activity statement.

Recommendation:

We recommend that management ensure bank reconciliations are prepared and reviewed promptly at the end of each month to ensure that accounting records are accurate and complete. We also recommend that the dates of preparation and review also documented on the bank reconciliations.

Management's Comments

Action 1:	<p><i>Bank reconciliations have been completed as part of the end of month processes since October 2022. These are signed off by a Senior Officer (usually the EMCS) each month.</i></p> <p><i>In early December 2022, the Shire implemented a bank reconciliation module into the finance system to complete the November reconciliation and all reconciliations moving forward. The new bank reconciliation module has built in processes and steps to be followed when completing the bank reconciliation and there is an automated process in the system that requires senior level secondary sign-off before finalisation.</i></p> <p><i>The implementation of this new software makes it easier for Shire staff to complete bank reconciliations on time and ensures that once completed by the officer, a Senior Officer provides review.</i></p> <p><i>All relevant staff have completed training in use of the module and process.</i></p> <p>Responsible Person: Executive Manager Corporate Services Completion Date: 14/11/2022</p>
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2. Review of risk management system and procedures

Finding:

The Local Government (Audit) Regulations 1996 paragraph 17 requires the CEO to undertake a review of the appropriateness and effectiveness of a local government's system and procedures in relation to risk management, internal control and legislative compliance, no less than every three financial years. We note that the last review was carried out in 2018.

Rating: Significant

Implication:

The Shire has not complied with regulation 17(2) of the Local Government (Audit) Regulations 1996.

Recommendation:

We recommend that the CEO undertake the reviews of the appropriateness and effectiveness of the Shire's risk management systems and procedures as soon as practicable and report the results of those reviews to the Council.

Management's Comments:

Action 1:	<p><i>A review of the appropriateness and effectiveness of the Shire's risk management systems and procedures has been completed in December 2022. This has included concurrent reviews of the Shire's Risk Management Framework, Risk Management Policy and Risk Dashboard.</i></p> <p><i>This review is being presented to the Audit Committee and Council in December 2022.</i></p> <p><i>Annual review of the suite of Risk documents has been added to the Attain calendar to ensure reminders are generated at the appropriate time each year.</i></p> <p>Responsible Person: Executive Manager Corporate Services Completion Date: 19/12/2022</p>
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Since providing the above comment to the Office of the Auditor General in mid-December, the December Audit Committee meeting and Ordinary Council meetings were both held.

On Monday 19 December the Audit Committee were presented with the CEO's Review of Risk Management, Internal Controls and Legislative Compliance (Regulation 17 Review), Shire of Merredin Risk Profile Summary (Risk Dashboard) and updated Risk Management Framework. The Audit Committee resolved:

That the Audit Committee:

1. RECEIVES the Chief Executive Officer's review of Risk Management, Internal Control and Legislative Compliance, consisting of the Shire of Merredin's Regulation 17 Review, as presented in Attachment 6.1A;
2. RECEIVES the Chief Executive Officer's review of the Shire of Merredin Risk Profile Summary December 2022 (Risk Dashboard), as presented in Attachment 6.1B;
3. RECEIVES the Shire of Merredin Risk Management Framework, as presented in Attachment 6.1C; and

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4. **RECOMMENDS** that Council **ADOPT** the **Chief Executive Officer's Risk Management, Internal Control and Legislative Compliance Review**, consisting of the Shire of Merredin's Regulation 17 Review, Shire of Merredin Risk Dashboard and Shire of Merredin Risk Management Framework, as presented in Attachments 6.1A, 6.1B and 6.1C respectively.

CARRIED 5/0

The documents were then presented to the Ordinary Council Meeting on Tuesday 20 December 2022, as per the resolution from the Audit Committee. Council resolved:

That Council;

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1. **RECEIVE** the minutes of the Audit Committee, held 19 December 2022, included as Attachment 14.6A and;
2. **Based on the recommendations of the Audit Committee, which are included as Attachment 14.6A:**
 - a. **ADOPT** the Chief Executive Officer's Risk Management, Internal Control and Legislative Compliance Review, consisting of the Shire of Merredin's Regulation 17 Review, Shire of Merredin Risk Dashboard and Shire of Merredin Risk Management Framework, as presented in Attachments 6.1A, 6.1B and 6.1C respectively;

The updated Risk Management Policy was also presented for Council's consideration during this meeting. Council resolved:

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That Council ADOPT the revised Policy 3.24 – Risk Management Policy, as presented in Attachment 14.3B.