

SIGNIFICANT AUDIT FINDINGS REPORT



This report is produced in accordance with Section 5.17A(4)(a) of the *Local Government Act 1995* and details the actions the Shire of York has taken and intends to take with respect to the Significant Findings identified in the Audit Report for the 2020/21 financial year.

The table below summarises the Findings, the Auditor's Recommendations, the Shire of York's comment at the time of the Audit.

Finding	Auditor's Comment	Recommendation	Management Comment
1	<p>Although the Shire does maintain some documentation it is not sufficient to demonstrate and evidence the on-going management of contract progress and supplier performance from contract award through to completion for its infrastructure projects.</p> <p>We also noted no formal documentation to indicate any checks being performed to verify the completion of agreed scope of works and quality of the capital projects either delivered by external contractors or performed in house could be evidenced prior to assets being handed over to the Shire.</p>	<p>A contract management plan should be prepared for each capital project which includes, but not limited to, the following details:</p> <ol style="list-style-type: none"> 1. Scope and key deliverables 2. Key milestones 3. Variation process 4. Conflict resolution 5. Issue log 6. Contract closure and transition process of assets to the Shire 	<p>The establishment of a Contract Management process including the items identified above has been set as a priority task for the Executive Leadership Team, with the new Executive Manager Infrastructure and Development Services (EMIDS) being the responsible officer. Performance monitoring items will be applied to both internal and external delivery of infrastructure projects and other relevant contracts. This will be supported by the Shire's Fraud and Corruption Framework currently being developed with the support of Local Government Insurance Services (LGIS) which will also cover contractor management.</p> <p>While the Shire does have some contract management documents as standard it is acknowledged that there are gaps in the end to end process that need to be filled.</p>
2	<p>Bank reconciliations are an essential control in managing the accuracy and completeness of the Shire's accounting records and financial</p>	<p>The Shire should ensure the monthly bank reconciliation is appropriately prepared and independently</p>	<p>Processes have been amended so that staff monitor the cash books</p>

SIGNIFICANT AUDIT FINDINGS REPORT



	<p>statements. Bank reconciliations are also a key aspect of internal controls over cash resources.</p> <p>During our review of year end bank reconciliations for the month of June 2021, the following exceptions were noted:</p> <ol style="list-style-type: none"> 1. In the first version of the bank reconciliations, the municipal fund balance did not agree to the general ledger. Management subsequently corrected the error upon audit request. 2. In the final version of the bank reconciliations, we noted differences of \$435 between the bank statements and term deposit balances per reconciliation. This was due to management erroneously including interest for future periods within the bank balance at year end. 3. The final version of bank reconciliations bore no signature of preparer or reviewer as evidence of review and approval. 4. Some bank account names were incorrectly stated in the bank reconciliations 5. The supporting documentation for the bank reconciliations was not readily available and only provided upon request. 	<p>reviewed. The reviewer should also ensure reconciling items are fully supported with documentation.</p>	<p>daily along with the bank statement.</p> <p>A manual spreadsheet for bank reconciliation is updated by the Finance Officer and any unknown transactions are reported straight to the Finance Manager to identify actions. For example: with unidentifiable bank transfers, the bank is contacted within the same week and any returned payments are processed in the same month to allow reconciliations.</p> <p>This process allows quicker identification and resolution of any errors.</p>
3	<p>Payroll reconciliations have not been performed during the period of audit to reconcile the payroll report to the general ledger.</p>	<p>The payroll reconciliations should be performed at each pay run and at year-end and be subject to supervisory review to ensure payroll amounts have been accurately</p>	<p>The fortnightly payroll details and year to date summary are provided by IT Vision once they have completed the payroll calculations each fortnight. This is then</p>

SIGNIFICANT AUDIT FINDINGS REPORT



		reflected in the general ledger.	<p>compared to the General Ledger (GL) reconciliation report to balance with Synergy balances.</p> <p>The Payroll and IT Officer will develop an excel spreadsheet before February 2022 to balance the GL with payroll reports on a monthly basis until payroll services are transferred in-house. When the payroll system migrates to Altus a new process will be developed to ensure reconciliation of each pay run to the GL.</p>
4	The Shire's current AMP was prepared in 2019. As a result, the LTFP is also not sufficiently updated.	The Shire should update the AMP and LTFP as soon as possible so that the asset renewal funding ratio can be calculated based on verifiable information and reasonable assumptions and included in the financial report.	<p>The Shire has set aside funding in the 2021/22 financial year for the updating of the Transport AMP and the Property AMP, and the development of an Open Spaces AMP. Once concluded this will inform the update of the LTFP.</p> <p>The AMPs are the responsibility of the EMIDS. The updating of the LTFP is the responsibility of the Executive Manager Corporate and Community Services.</p>

If not already addressed in the above table, the following details the actions the Shire of York intends to take to address the Findings and provides the timeframe in which it is expected those actions to be implemented.

Finding	Action(s)	Owner	Timeframe
1	Officers have conducted a gap analysis to inform the document requirements. An overarching spreadsheet which includes scope, key milestones and deliverables has been completed. Subsequent	EMIDS	To be completed March 2022

SIGNIFICANT AUDIT FINDINGS REPORT



	documentation is still to be developed. The suit of contract management documents is anticipated to be completed late February/early March ready for new staff inductions.		
2	As listed above the adjustment to processes have already occurred and this action is complete.	EMCCS	Completed Dec 2021
3	A spreadsheet has been prepared to balance the GL with payroll reports after every pay. The first trial of this is scheduled for 18 February 2022. This process will be adjusted following the implementation of Altus Payroll in April 2022.	EMCCS	Completed Feb 2022 but to be reviewed again in May 2022
4	<p>Work has commenced on the preparation of the Asset Management Plans that will enable an update of the Long Term Financial Plan:</p> <ul style="list-style-type: none"> a. A Request for Proposal has been developed to appoint a consultant to undertake the condition assessment and revaluation of our road assets and complete the associated Asset Management Plans. As part of this process a consultant will also be sought to complete a condition assessment of Shire buildings. Completion April b. Officers have been booked on the IPWEA Asset Management Foundations Certificate course where they will be required to prepare Asset Management Plans as part of their course work. It is our intention for them to deliver the Asset Management Plans for both Public Open Space and Building assets. Completion April <p>The review of the Long-Term Financial Plan will commence on the completion of the Asset Management Plans.</p>	<p>EMIDS</p> <p>EMCCS</p>	<p>AMPs to be completed April 2022</p> <p>LTFP to be completed July 2022</p>

In accordance with Sections 7.12A(4)(b) and 7.12A(5) of the *Local Government Act 1995* a copy of this report is provided to the Minister for Local Government and published on the Shire's website.

Further information in relation to the report is available by contacting Alina Behan, Executive Manager Corporate & Community Services, on 08 9641 0500 or records@york.wa.gov.au.

Chris Linnell
CHIEF EXECUTIVE OFFICER

Dated: 16-02-2022