



MOORE STEPHENS

SY052-05/17
APPENDIX A

Financial Management Review

Shire of York

March 2017

Contents

Disclaimer.....	3
1.0 Independent Reviewer's Report to the Chief Executive Officer (CEO) of the Shire of York.....	4
2.0 Objective, Scope and Overview of Findings	6
3.0 Summary of Findings	7
4.0 Areas Examined with Detailed Observations and Comments.....	9
4.1 Bank Reconciliations	9
4.2 Trust Funds	9
4.3 Receipts and Receivables.....	9
4.4 Rates	10
4.5 Fees and Charges.....	10
4.6 Purchases, Payments and Payables (Including Purchase Orders)	11
4.7 Payroll	12
4.8 Credit Card Procedures.....	13
4.9 Fixed Assets (Including Acquisition and Disposal of Property).....	13
4.10 Costs and Administration Overhead Allocation	14
4.11 Minutes and Meetings.....	14
4.12 Financial Reports	14
4.13 Budget	15
4.14 Compliance with Integrated Planning and Reporting (Plan for the Future).....	15
4.15 Registers (Including Annual & Primary Returns)	16
4.16 Delegations	16
4.17 Audit Committee	16
4.18 Insurance	16
4.19 Storage of Documents / Record Keeping.....	16
4.20 General and Compliance Issues	17
5.0 Reminders	18

Disclaimer

The objective of this review as outlined in greater detail in Part 2.0 of this report as presented, is to assist the Chief Executive Officer of the Shire of York discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996 (as amended)*.

It has been prepared by Moore Stephens (WA) Pty Ltd for this sole purpose.

It is not intended to be used by any other individual or organisation.

Confidential – this document and the information contained in it are confidential and should not be used or disclosed in any way without our prior consent.

Moore Stephens (WA) Pty Ltd carries on business separately and independently from other Moore Stephens member firms around Australia and worldwide.

Services provided under this engagement are provided by Moore Stephens (WA) Pty Ltd and not by any other independent Moore Stephens member firm. No other independent Moore Stephens member has any liability for services provided by other members.

1.0 Independent Reviewer's Report to the Chief Executive Officer (CEO) of the Shire of York

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At the request of the CEO, Moore Stephens (WA) Pty Ltd was engaged to conduct a limited assurance review of the appropriateness and effectiveness of the Shire of York's financial management systems and procedures. The objective of the review is to assist the CEO discharge responsibilities in respect to Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996 (as amended)*. The review was conducted for the period 1 July 2016 to 28 February 2017.

CEO's Responsibility for Maintaining and Reviewing Financial Management Systems and Procedures

The CEO is responsible for implementing policies, procedures and controls which are designed to ensure the effective and efficient management of the Shire's resources. In accordance with Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996 (as amended)*, the CEO is to undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures. At least once in every four financial years the CEO is to report the results of those reviews to Council.

Our Responsibility

Our responsibility is to provide a report expressing limited assurance, designed to enhance the confidence of the CEO to assist reporting on the appropriateness and effectiveness of the financial management systems as required by Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996 (as amended)*. We conducted our engagement in accordance with Australian Standard on Assurance Engagements ASAE 3500 Performance Engagements issued by the Australian Auditing and Assurance Standards Board and the Audit Guidelines, in order to state whether, based on the procedures performed, anything has come to our attention that causes us to believe that the Shire's financial management systems have not been operating effectively. Our engagement provides limited assurance as defined in ASAE 3500.

Our procedures were agreed to with the CEO in our engagement letter dated 17 November 2016.

Limitations of Use

This report is made solely to the CEO of the Shire of York for the purpose of reporting under Local Government (Financial Management) Regulation 5(2)(c). We disclaim any assumption of responsibility for any reliance on this report to any person other than the CEO of the Shire of York, or for any purpose other than that for which it was prepared. We disclaim all liability to any other party for all costs, loss, damages, and liability that the other party might suffer or incur arising from or relating to or in any way connected with the contents of our report, the provision of our report to the other party, or the reliance on our report by the other party.

1.0 Independent Reviewer's Report to the Chief Executive Officer (CEO) of the Shire of York (continued)

Inherent Limitations

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement conducted in accordance with ASAE 3500 and consequently does not allow us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we will not express an opinion providing reasonable assurance.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and its responsibility to prevent and detect irregularities, including fraud. Accordingly, readers of our reports should not rely on the report to identify all potential instances of non-compliance which may occur.

Any projection of the evaluation of the level of compliance to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with management procedures may deteriorate.

Independence

In conducting our engagement, we have complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

Based on our work described in this report (which is not an audit), nothing has come to our attention to indicate the Shire of York has not established and maintained, in all material respects, appropriate and effective financial management systems and procedures during the period covered by our review being 1 July 2016 to 28 February 2017.

For those aspects of the Shire of York's Financial Management systems and procedures which were assessed as having opportunities for improvement, our findings are summarised as Part 3.0 of this report and detailed observations and comments are located at Part 4.0 of this report.



DAVID TOMASI
DIRECTOR



MOORE STEPHENS (WA) PTY LTD
CHARTERED ACCOUNTANTS

Date: 11 May, 2017
Perth, WA

2.0 Objective, Scope and Overview of Findings

Objective

The objective of our engagement as outlined in our engagement letter dated 17 November 2016 was as follows:

To provide a report expressing limited assurance designed to enhance the confidence of the intended user (in this instance the CEO) in the performance of the control environment of the financial management system of the Shire of York (administered by Shire staff being the Responsible Party) for which the intended user (CEO) is ultimately responsible in accordance with the Act and Regulations.

It includes the performance of assurance procedures designed to test the financial management system and report to the CEO on the appropriateness and effectiveness of the control environment within, as required by Financial Management Regulation 5(2)(c).

We trust this report will assist in the ongoing review and improvement of the Shire's financial management practices and procedures.

Scope

As agreed our examination covered the period 1 July 2016 to 28 February 2017. To this end we examined the following financial systems and procedures of the Shire:

- Bank Reconciliations
- Trust Funds
- Receipts and Receivables
- Rates
- Fees and Charges
- Purchases, Payments and Payables (Including Purchase Orders)
- Payroll
- Credit Card Procedures
- Fixed Assets (Including Acquisition and Disposal of Property)
- Cost and Administration Overhead Allocations
- Minutes and Meetings
- Financial Reports
- Budget
- Plan for the Future
- Registers (Including Annual & Primary Return)
- Delegations
- Audit Committee
- Insurance
- Storage of Documents/Record Keeping
- General Compliance Issues

We did not necessarily examine compliance with provisions of the Act or Regulations, which were not financial in nature. That is, Parts 2, 4, 8 and 9 of the Act, some provisions of Parts 3 and 5 as well as most regulations (apart from the Financial Management Regulations), which did not impact on the areas examined above.

Overview of Findings

As referred to in Part 1.0 of this report, a summary of our findings and detailed observations may be found in Parts 3.0 and 4.0 on the following pages.

Addressing the issues highlighted will help to ensure the controls and procedures established are not compromised in the future and the integrity of the financial management system is maintained.

3.0 Summary of Findings

The following is a brief summary of the key matters noted for improvement together with our rating assessment in relation to each item:

FINDINGS	REF	PAGE	NATURE	RATING
BANK RECONCILIATIONS	4.1	9		
Bank reconciliations are not reviewed by a senior staff member independent of preparation.			S	Moderate
TRUST FUNDS	4.2	9		
Funds held in trust for >10 years with no action.			S	Minor
RECEIPTS AND RECEIVABLES	4.3	9		
Two instances where independent review of Sundry debtors reconciliation was not evidenced.			S	Minor
Gaps with respect to general cash handling procedures noted	4.3	10	S	Moderate
RATES	4.4	10		
Four instances where independent review of Rates debtors reconciliation was not evidenced.			S	Minor
PURCHASES, PAYMENTS AND PAYABLES (INCLUDING PURCHASE ORDERS)	4.6	11		
Noted instances where the supplier invoice did not include appropriate payment authorisation stamp.			S	Moderate
Noted instances where the purchase order did not precede the supplier invoice.			S	Moderate
Changes to supplier details:				
- not adequately segregated			S	Significant
- lack appropriate level of evidence			S	Significant
PAYROLL	4.7	12		
Audit trail for changes to master file details only reviewed monthly, instead of at every payrun.			S	Significant
Noted a number of employee files missing critical information, ie. Signed contracts and Wage review letters.			S	Moderate
Changes to employee details:				
- not adequately segregated			S	Significant
- lack appropriate level of evidence			S	Significant

Please Note: The rating assessment as detailed above is our assessment based on the circumstances surrounding the procedures performed. They are intended to be read in the context of our rating assessment to the organisation as a whole. They are provided solely to assist you understand the nature of the matters raised and to prioritise any remedial action.

3.0 Summary of Findings (continued)

FINDINGS	REF	PAGE	NATURE	RATING
FINANCIAL REPORTS	4.12	14		
Annual financial report was not lodged with the department within 30 days of receiving the auditor's report (albeit only one day late).			C	Minor
Monthly financial reports presented to council missing required information.			C	Minor
GENERAL AND COMPLIANCE ISSUES	4.20	17		
Review of reconciliations by a person independent of preparation is not always evidenced.			S	Minor
No formal documentation noted in relation to the daily procedures performed by accounting staff.			S	Minor

Please Note: The rating assessment as detailed above is our assessment based on the circumstances surrounding the procedures performed. They are intended to be read in the context of our rating assessment to the organisation as a whole. They are provided solely to assist you understand the nature of the matters raised and to prioritise any remedial action.

Key:

Nature:

S	Systems and Procedures
C	Compliance Matter

Rating Assessment:

Significant	Issue represents a weakness which will/may have an adverse affect on the ability to achieve business objectives. Requires immediate management action.
Moderate	Issue represents a weakness which may become more serious if not addressed. Requires management action within a reasonable time period.
Minor	Issue represents an opportunity for improvement. Management should consider cost benefit analysis within a reasonable time period.

4.0 Areas Examined with Detailed Observations and Comments

4.1 Bank Reconciliations

An examination of bank reconciliations and procedures for the period under review revealed the following matters:

- **Bank Reconciliations were not reviewed by a senior staff member independent of preparation.**

Comment: Bank reconciliations are of primary control importance and are the catalyst for many transactions in other ledger accounts.

To help ensure the bank reconciliations are correct, as well as prepared regularly and promptly, they should be signed and dated by the preparer and should also be reviewed by a senior staff member independent of preparation. This review should seek to confirm the accuracy of the reconciliation and be evidenced accordingly.

4.2 Trust Funds

Trust funds held by the Shire were examined to determine proper accountability in the Shire's financial management system and compliance with regulatory requirements.

Our observation and testing of six receipts and six payments, judgmentally selected, confirmed trust funds are adequately controlled and all statutory requirements were satisfactorily met.

- **Noted that the Shire holds a number of Trust Term deposit accounts dating back more than 10 years.**

Comment: The Shire must review funds held in trust and the original documentation and contracts in relation to those funds, to determine the appropriate action.

4.3 Receipts and Receivables

Detailed testing of twenty two receipts, randomly selected, was performed. This included tracing to individual receipt detail, bank deposits and the general ledger to ensure allocation/posting was correctly performed. The receivables system including raising of invoices was also reviewed with limited testing in respect to allocation/posting.

Overall, testing was completed satisfactorily. Controls and procedures over receipts and receivables are considered to be operating effectively and are appropriate for the Shire's current scope of operations except for the following matters:

During our detailed testing we noted a single instance whereby the fee receipted for impound costs did not match the fee per the approved budget. As this appears to be an isolated once-off instance, it is not considered material/significant.

- **While reconciliations of the subsidiary ledger to the corresponding general ledger control account were performed as required, we found two instances (October 2016 and December 2016) that were not evidenced as being reviewed by a senior staff member independent of preparation.**

Comment: To help ensure completeness and accuracy, these reconciliations should be reviewed by a more senior staff member independent of preparation.

This review should seek to ensure reconciliations are properly prepared, accurate and evidenced.

4.0 Areas Examined with Detailed Observations and Comments (continued)

4.3 Receipts and Receivables (continued)

General procedures relating to cash handling and banking procedures were also performed and, whilst the testing did not extend to all controls around cash handling due to time constraints, we were able to observe some gaps with respect to the procedures and controls as they currently exist.

Comment: It would be prudent to perform an extended review relating to the procedures and controls surrounding cash handling as they currently exist. This would include specific monitoring related testing with a view to suggesting improvements.

4.4 Rates

The Shire's rating procedures were examined to determine if they were adequate in ensuring rates were being imposed or raised correctly. This also included inspection of the rate record, rate notices, instalment notices, valuation reconciliations and general ledger.

We randomly selected and tested ten annual rate notices and five interim notices for the period under review. This included:

- sighting the notices;
- re-performing the calculations;
- ascertaining whether the valuations applied agree to Landgate's valuation roll/report and rates per dollar imposed are as per adopted budget;
- ensuring the rate system is properly updated; and
- checking proper posting to the general ledger.

From testing, we concluded the rate system and record are being properly maintained, rates are correctly imposed as well as posted to general ledger.

Notwithstanding this, the following matters are brought to your attention:

- **Whilst reconciliations of the subsidiary ledger to the corresponding general ledger control account for rates debtors were performed as required, we found four instances (September 2016, October 2016, December 2016 and February 2017) where they were not evidenced by a senior officer independent of preparation.**

Comment: To help ensure completeness and accuracy these reconciliations should be reviewed by a more senior staff member independent of preparation. This review should seek to ensure reconciliations are properly prepared, accurate and evidenced.

4.5 Fees and Charges

Fees and Charges imposed at the time of budget adoption were found to be in accordance with legislative requirements.

4.0 Areas Examined with Detailed Observations and Comments (continued)

4.6 Purchases, Payments and Payables (Including Purchase Orders)

Twenty two payment transactions were randomly selected and tested to determine whether purchases were authorised/budgeted and payments were supported, certified/authorised and correctly allocated. The Shire's purchases, payments and payables system was also examined to determine if adequate controls were in place in ensuring liabilities are properly recorded and payments are properly controlled.

During our review of controls and procedures relating to purchases, payments and payables, the following matters were noted and are raised for your consideration:

- **We noted seven instances whereby no certification/payment authorisation of invoice by relevant manager was obtained prior to payment.**

Comment: The above noted instances related to invoices processed prior to the October 2016 Shire policy updates. All samples tested subsequent to that date included a payment authorisation stamp which was properly completed.

- **Noted three instances where the purchase order did not precede the supplier invoice.**

Comment: All authorised officers should be "reminded" of the need to ensure purchase orders are raised prior to the time of authorising works/services or ordering goods. This will help to ensure goods/services have been appropriately ordered and authorised and also helps ensure budget responsibility.

We are aware of many recent incidents of payment scams/frauds within the local government industry. As a consequence of this activity, we have had a specific focus on the controls around the changes to supplier details within the EFT payment system.

- **Our review of the processing of payments by Electronic Funds Transfer (EFT) revealed the controls over the loading of EFT payments and changing supplier banking details are not adequately segregated.**

Comment: To maintain the integrity of the EFT payments system, each step in the process should be reviewed by a person independent of preparation.

Whilst we acknowledge compensating controls exist where the system audit trail is reviewed monthly for any changes, we suggest the system audit trail is reviewed more frequently, prior to the processing of each payment run.

- **Change to supplier details are not formally requested on a supplier letterhead before changes are made. Current procedures accept email confirmation as sufficient written evidence.**

Comment:

- **The process of verifying any changes to system details should be documented and provided to officers.**
- **A formal written request to change details should be asked for on supplier letterhead before any changes are made.**

The above should be supported with training/direction to remind staff of the need to be ever vigilant, to exercise a level of scepticism for all requests and, most importantly, to raise a concern if there is any doubt about the veracity of a request for change.

4.0 Areas Examined with Detailed Observations and Comments (continued)

4.7 Payroll

A sample of eleven individual employees was randomly selected from eleven pay runs and for each employee's pay the following tests were performed to help ensure:

- the employee existed;
- the correct rate of pay was used;
- non-statutory deduction authorities are on hand;
- time sheets were properly completed and authorised;
- hours worked were properly authorised; and
- allocations were reasonable and correctly posted.

We also tested the first pay of three new employee's and three terminated employee's (randomly selected).

The Shire's payroll system was also reviewed to determine if adequate controls were in place to help ensure wages and salaries are properly processed and payments are properly controlled.

During our review of controls and procedures over payroll, the following matters were noted and raised for your consideration:

- **The system audit trail report for changes made to employee details, including bank details, is reviewed by a senior staff member at month end instead of every pay run.**

Comment: To help ensure all changes to employee details in the system are correct and hence all payments are bona fide, the system's audit trail report showing all changes made to the system should be printed and reviewed by a senior staff member independent of processing prior to the processing of each pay run.

This independent review should seek to confirm the integrity of the changes/details in the system against appropriate authorisations and should be evidenced accordingly.

Our review of employee files revealed:

- **An absence of evidence for the latest hourly rates; and**
- **Two instances whereby no formal signed employee contract was included in the employee file.**

Comment: To help ensure all payments are bona fide and all salaries and wages are accurately reflected in the general ledger, wage increase documentation should be maintained and kept in employee files to ensure the wage rates in the system are correct.

All employees should complete and sign an employment contract. This should also be signed by an appropriate person and an individual employee file created.

4.0 Areas Examined with Detailed Observations and Comments (continued)

4.7 Payroll (continued)

- Our review of the processing of payroll by Electronic Funds Transfer (EFT) revealed the controls over the loading of EFT payments and changing of employee banking details are not adequately segregated.

Comment: To maintain the integrity of the EFT payments system, the Shire should ensure that the process of changing the employee bank details is documented, and each step in the process is reviewed by a person independent of preparation.

As noted for Purchases, Payments and Payables, the Shire has some compensating controls where the system audit trail is reviewed monthly for any changes. We suggest the system audit trail is reviewed more frequently, prior to the processing of each pay run.

4.8 Credit Card Procedures

A review of the Shire's credit card procedures was performed to determine if adequate controls were in place.

Only one credit card is currently in use, while the second credit card account remains open for future use, however, the physical card has been destroyed. We randomly selected four credit card transactions during the period for testing, to determine whether these are legitimate and usual in the context of the Shire's operations. This included:

- sighting tax invoices;
- ascertaining whether the transaction is for bona fide Shire business; and
- determining whether transactions are in line with the Shire's policy.

Overall testing was completed satisfactorily. Controls and procedures over credit card transactions are considered to be operating effectively and are appropriate for the Shire's current scope of operations.

4.9 Fixed Assets (Including Acquisition and Disposal of Property)

The fixed assets system including controls over acquisition and disposal of assets, updating of the fixed assets register, depreciation of fixed assets and reconciliation of the fixed assets register to the general ledger was examined.

A sample of two asset additions and two asset disposals were judgmentally selected and testing performed to ensure:

- the tax invoices existed;
- correct posting to the general ledger;
- fixed assets register was promptly updated; and
- classification of assets was correct;

We concluded fixed assets are properly accounted for and supporting controls are operating effectively.

4.0 Areas Examined with Detailed Observations and Comments (continued)

4.10 Costs and Administration Overhead Allocation

The Shire's cost and administration allocation system was examined to determine if indirect costs have been properly reallocated to various jobs/programs. This included a review of the allocation basis or rates used to ensure they are appropriate and regularly reviewed.

Our review noted the system is being maintained properly.

4.11 Minutes and Meetings

Council and Committee meeting minutes were reviewed to ensure compliance with procedures and protocols.

The procedures and protocols surrounding meetings and the quality of minutes were found to be of a satisfactory standard and in accordance with legislative requirements.

4.12 Financial Reports

The following reports were reviewed for compliance with legislative requirements:

- Annual Report;
- Annual Financial Report; and
- Monthly Financial Reports.

All were found to be of a satisfactory standard and in compliance with legislative requirements except for the following matter:

Annual Report

- The annual financial report for the year ended 30 June 2016 was not submitted to the Department of Local Government within 30 days of receiving the auditor's report as required by Local Government (Financial Management) Regulation 51(2); and

Comment: Whilst we acknowledge this submission was only one day late (i.e. submitted on the 31st day), to help ensure compliance with statutory requirements, this item should be correctly attended to in the future.

As the above matter represents non-compliance with Financial Management Regulations, it may be carried forward to our audit report for the year ended 30 June 2017.

4.0 Areas Examined with Detailed Observations and Comments (continued)

4.12 Financial Reports (continued)

Monthly Financial Reports

- Monthly Financial statements presented to council for July 2016 and August 2016 did not include an explanation of the composition of the net current assets of the month, less committed assets and restricted assets as required by Local Government (Financial Management) Regulation 34(2)(a).
- Material variances between year to date actual amounts and budget estimates for capital expenditure items were not explained in the monthly Statement of Financial Activity for July 2016 as required by Local Government (Financial Management) Regulation 34(2)(b).

Comment: To help ensure compliance with statutory provisions, this requirement should be correctly addressed in the future. In raising this point, we acknowledge this was in the period immediately subsequent to year end and information is not always available.

4.13 Budget

The 2016/17 budget document and documents surrounding budget adoption were reviewed to ensure compliance with regulatory requirements.

All statutory requirements were satisfactorily met and the adopted budget was of satisfactory form and content.

4.14 Compliance with Integrated Planning and Reporting (Plan for the Future)

New regulations relating to Integrated Planning came into effect on 1 July 2013. Department of Local Government and Communities Circular no. 15-2013 required local governments to have the following in place by 6 September 2013:

- Strategic Community Plan (2016 – 2020);
- Corporate Business Plan (2016 – 2020);
- Workforce Plan;
- Long Term Financial Plan (2016 – 2026); and
- Asset Management Plan(s).

Based on our review, it appears all statutory requirements were satisfactorily met, except the Shire's Asset Management Plan(s) which are currently in the process of being updated.

4.0 Areas Examined with Detailed Observations and Comments (continued)

4.15 Registers (Including Annual & Primary Returns)

Financial Interest Register

The register was examined to ensure compliance with regulatory requirements.

Our review noted the register was deemed to be satisfactorily maintained and appropriate for Council needs.

Tender Register

The tender register was reviewed for completeness, compliance and appeared to be satisfactorily maintained and appropriate for the Shire's needs.

4.16 Delegations

The delegations register was reviewed for completeness and compliance and no matters were noted.

4.17 Audit Committee

The Shire's establishment of its audit committee and the constituted membership was examined by us and considered satisfactory.

4.18 Insurance

Discussions with staff and review of policy documents revealed policies are current. Evidence also exists to suggest an annual review of insurance risks occurs.

4.19 Storage of Documents / Record Keeping

A detailed and fully indexed register and filing system is in place and appears to be complete and operating effectively.

4.0 Areas Examined with Detailed Observations and Comments (continued)

4.20 General and Compliance Issues

Investments

The Shire's investment policy was reviewed to help ensure its adequacy and compliance with legislative requirements.

Internal control procedures and restrictions over investments are properly maintained and adhered to, the investment policy which fully comply with the requirements of Local Government (Financial Management) Regulation 19C.

IT General Environment

Whilst reviewing the adequacy of the Shire's IT general environment, we noted general controls such as access to the computer system, regular changes to passwords and data back up are being performed. Based on our review, this approach is considered appropriate for the Shire's needs.

Review of Reconciliations

Whilst key financial reconciliations across the Shire are appropriately performed, the evidencing of the review by an individual independent of preparation is not always evidenced.

General Comment

As a general observation, whilst procedures performed by the Shire in relation to overall Financial Management appear to be adequate and appropriate, these procedures have not been formally documented.

5.0 Reminders

Fixed Assets

- Revaluation of the Fixture and Fittings, and Infrastructure classes of assets should be performed as at 30 June 2017.

Management advised the valuations will be undertaken in-house by a newly employed Asset Management Officer.

Depreciation - we stress the need for an assessment of Remaining Useful Life (RUL) to be performed on individual road components, along with a detailed assessment of road conditions. This will in turn impact the calculation of depreciation in subsequent years.

Financial Assets

- The Shire of York holds 4 units in the Local Government House Unit Trust. This is a consequence of a contribution towards the cost of purchasing Local Government House.

The estimated value of the 4 units at 30 June 2016 was \$63,263. There is unlikely to be any future benefit accruing to the Council from this Trust. Whilst the balance is not considered material/significant, the Shire should consider writing this investment back to zero as at 30 June 2017.

Plan for the Future

- The current Asset Management Plans (AMP's) are outdated and must be updated by 30 June 2017. Management advised the update is currently in progress and will be updated over the next 12 months by the recently appointed Asset Management Officer.

Other

- The Fringe Benefit Tax return had not yet been lodged at the time of our visit. Due date for lodgement is 21 May 2017.
- The Delegations register is required to be reviewed once in each financial year. At the time of our visit, it had not been reviewed for the current financial year.

To avoid a compliance breach, the register will require review prior to 30 June 2017.

12 April 2017

MOORE STEPHENS

Mr P Martin
Chief Executive Officer
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Dear Paul

REVIEW OF YRCC

Following your request, we have now completed analytics of the margins associated with the bar and hospitality trading at the YRCC.

Our analysis did not reveal any unusual fluctuations or trends when compared to industry expectations or the time span we reviewed (2014 through to the present).

Whilst the overall operational results reflect a deficit, this largely appears to be due to the impact relating to allocation of employee costs.

This analysis did not extend to all of the controls around cash takings, till balancing, daily reconciliations and banking. As a consequence, it would be prudent to do a further review of the procedures and controls associated with daily takings.

This could take either of the following forms:

Option A: The Shire performs an internal review with an update of internal procedures and controls. We would then able to perform a desktop review to assess them. This could be followed up with subsequent monitoring procedures in the future.

Option B: We perform a review of the procedures and controls as they currently exist, including specific monitoring related testing, with a view to suggesting improvements.

As requested by Suzie Haslehurst from your office, an approximate cost in relation to each of these options are as follows:

Option A: \$3,000 plus GST

Option B: \$7,500 plus GST plus reasonable out of pocket travel costs.

Option A would be performed remotely from our office.

Option B would require an onsite visit and would likely involve 2 persons for a one day duration.

Both options would include our findings being presented in a written report.

Should you have any queries, please contact me.

Yours faithfully



David Tomasi
Partner
Moore Stephens