

# SHIRE OF CRANBROOK

## 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.

### Purpose of Review

The Shire of Cranbrook 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.

### Financial Management Review

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*.

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## Findings

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### Proper Collection of All Money Owning to the Shire

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- (1) Rate payment incentives offered were not disclosed in the 2021/2022 or the 2022/2023 annual budget.
- (2) Rate payment incentives offered were not disclosed in the 2021/2022 annual financial report.
- (3) Concessions on fees and charges provided under Delegation 1.90 were not disclosed in the 2021/2022 annual financial report.
- (4) Waivers of fees and charges provided for under Policy 4.12 were not disclosed in the 2021/2022 annual financial report.
- (5) There was no specific resolution passed by an absolute majority decision of the Council to adopt the imposition of interest on money (other than rates and service charges) owed to the local government, under Section 6.13(2) of the *Local Government Act*.
- (6) The rate of interest imposed on money owing to the Shire (other than rates and service charges) was not listed in the Schedule of Fees and Charges.
- (7) A register of rate exempt properties was not in place at time of conducting the Financial Management Review, and there was no evidence on when the last review was conducted. A register was provided after the site review.
- (8) The Accounts Receivable process has the following weakness;
  - (a) Debtor invoices are not printed and retained with the debtor invoice request supporting documentation. This makes it difficult to verify whether the invoice raised and sent to the customer matches the supporting documentation and the debtor batch transaction listing.
  - (b) The Finance Officer entering the debtor invoices does not sign the debtor batch transaction listing to certify they have generated and reviewed the entries for correctness. The officer creating the debtor invoices should sign the debtor batch transaction listing as this ensures that the report has not been edited or changed by another officer.
- (9) The Mail/Cashiering process has the following weakness:
  - (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. This approach provides for sound internal controls through good cash handling procedures and verification by two officers.

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### Proper Maintenance and Security of the Shire's Financial Records

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- (10) The local government does not test and validate data backups regularly, via test recovery scenarios, full or partial.

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

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(11) The Accounts Receivable process has the following weakness;

- (a) Debtor invoices are not printed and retained with the debtor invoice request supporting documentation. This makes it difficult to verify whether the invoice raised and sent to the customer matches the supporting documentation and the debtor batch transaction listing.
- (b) The Finance Officer entering the debtor invoices does not sign the debtor batch transaction listing to certify they have generated and reviewed the entries correctness. The officer creating the debtor invoices should sign the debtor batch transaction listing as this ensures that the report has not been edited or changed by another officer.

(12) The Accounts Payable has the following weaknesses:

- (a) The employee certifying for receipt of the goods/services is also authorising the supplier invoice for payment. This practice does not provide adequate separation of roles and the employee placing the order should initial the invoice to certify goods/services have been received/rendered appropriately.
- (b) Purchase orders are not attached to the supplier invoice in all instances.
- (c) There is no evidence a check is performed on whether the purchase has complied with Council's purchasing policy requirements in relation to required quotes for purchases in each threshold value.
- (d) The Finance Officer entering creditors does not sign and date the creditor batch reports to signify the report has been checked, prior to handing to a supervisor for review and approval.

(13) The analysis of the 60 EFT payments revealed that:

- (a) In some instances, the certification stamp on supplier invoice was not signed by data entry officer that additions on the invoice had been checked for accuracy.
- (b) There was 1 error in the GST coding of supplier invoices, resulting in the overclaiming of entitled GST input tax credits.
- (c) There were 4 instances where no documentation was attached to the supplier invoice to verify that the necessary quotations had been sought under the relevant purchase thresholds contained in Council's Purchasing Policy 4.8.



## Proper Authorisation for the Incurring of Liabilities and Making of Payments

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- (14) Delegation 1.32 and Policy 4.8 do not list the employees who are authorised signatories to approve electronic payments or sign cheques from the Municipal or Trust funds.
- (15) 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

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

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- (16) 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

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- (17) 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) Copies of debtor invoices are not filed with the supporting documentation.

It is suggested all debtor invoices are printed and filed with all the relevant the supporting documentation attached to them to allow external auditors to verify the nature of the services provided and the fee being charged.

- (ii) Debtor invoice batch reports are not signed by the originator.

It is suggested the officer who enters/creates the debtor invoice batch also signs and dates the batch report to certify the information contained in the batch report has been reviewed and is correct.

- (iii) It is noted that the interest imposed on debts other than rates was not formally adopted by resolution of Council.

It suggested that a separate formal resolution be passed detailing the rate of interest to be imposed on debts other than rates.

- (b) 30-250.1.2 - All invoices raised are bona-fide

- (i) Debtor batch transaction listing reports are not in all instances signed by a supervisor or other officer to certify the invoice batch report is correct and is ready for update.

It is suggested all debtor batch transaction listing reports are reviewed by a supervisor; and signed and dated to certify and approve the batch for update.

- (ii) An invoice request form is not utilised for the raising of debtor invoices for reimbursements, contributions and sundry debts.



It is suggested that an invoice request form be utilised as supporting documentation to initiate the raising of invoices where there is no other supporting document available.

(c) 30-270.2.3 – All sales invoices are correctly recorded in the accounts

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

It is suggested the Manager of Finance and Administration (MFA) undertake the role of certifying and approving the debtor batch transaction report when raising debtor invoices.

(d) 30.270.2.4 - All cash receipts are deposited

- (i) Bank reconciliation for the month of February 2023 did not reconcile due to a superannuation payment refund that was not recorded in the Synergysoft general ledger.

It is suggested that all deposits received be recorded in the general ledger and reconciled to the bank statement in the month received.

It was noted that the refund amount was subsequently reconciled after February 2023 rental payments.

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

- (i) The process for recovery of overdue debts is not in accordance with Council Policy.

It is suggested Council review its debt collection processes and record action taken on the monthly outstanding debtors report.

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.

(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 the MFA 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) The sample of creditor invoices tested showed that in some instances invoices were not correctly certified and/or authorised by either the data entry officer or by an appropriate supervisor.

It is suggested the data entry officer should initial all invoices to certify that the creditor invoice has been checked for arithmetic accuracy, GST and ABN registration and calculations, and data entry into Synergysoft.

- (ii) The sample of creditor invoices tested showed that in some instances purchase orders were not referenced on the creditor invoice.

It is suggested all purchase orders should be referenced on the creditor invoice, and where possible attached as supporting documentation.

- (iii) The sample of creditor invoices tested showed that payments in some instances did not meet the required thresholds for number of quotations to be obtained in accordance with Policy 4.8.

It is suggested that a process be instituted to verify the required number of quotations are obtained in accordance with the monetary thresholds in Policy 4.8, or an exemption memo is issued by the CEO for the purchase in accordance with Policy 4.8 where an exemption to obtain the number of necessary quotations is granted.

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

- (i) For the months of October 2022 and January 2023 the average price used for fuel issues was calculated utilising the GST inclusive price, overstating the fuel issued and expensed.

It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

- (i) 33.250.1.2 - All recorded stocks are supported by actual holdings

- (i) Risk of stock register not reflecting physical stock on hand due to error in calculation of average price used for fuel issues.

It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

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

- (i) For the months of October 2022 and January 2023 the average price used for fuel issues was calculated utilising the GST inclusive price, overstating the fuel issued and expensed.

It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

- (k) 33-330.4.2 – Provisions are made where necessary to prevent over-valuation of inventories

- (i) Incorrect calculation of monthly fuel allocation due to incorrect calculation of average price of fuel.

It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

## Other Matters

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- (18) A policy on collection of rates debts would assist guide staff on the implementation of appropriate collection procedures.
- (19) A policy on collection of non-rates debts would assist guide staff on the implementation of appropriate collection procedures

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## Recommendations

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

- (1) That the relevant information on rate payment incentives be collected so the appropriate disclosure can be made in the 2023/2024 annual budget.
- (2) That the relevant information on rate payment incentives be collected so the appropriate disclosure can be made in the 2022/2023 annual financial report.
- (3) That the relevant information on concessions on fees and charges provided under Delegation 1.90 be collected so the appropriate disclosure can be made in the 2022/2023 annual financial report.
- (4) That the relevant information on waivers of fees and charges provided for under Policy 4.12 be collected so the appropriate disclosure can be made in the 2022/2023 annual financial report.
- (5) That Council pass a separate resolution for the imposition of interest on money (other than rates and service charges) owed to the local government, under Section 6.13(2) of the *Local Government Act* as part of its budget adoption process.
- (6) That the rate of interest imposed on money owing to the Shire (other than rates and service charges) be listed in the Schedule of Fees and Charges.
- (7) That the CEO implement a register of rate exempt properties, with a procedure where periodic reviews are conducted every 2 years.
- (8) That the CEO implement new internal control procedures to ensure a copy of all debtor invoices are printed and filed along with debtor invoice supporting documentation.
- (9) That the CEO implement new internal control procedures for accounts receivable where the finance officer debtors signs and dates the debtor batch transaction listing report.
- (10) That the CEO implement new internal control procedures for accounts receivable 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 by two employees. This approach provides for sound internal controls through good cash handling procedures and verification by two officers.
- (11) That the CEO obtain regular reports from the external IT provider that data backups have been validated and ensure an annual test of a full system restore is performed.

- (12) That the CEO implement new internal control procedures for accounts payable to ensure the ordering officer certifies goods/services have been rendered, and a separate officer authorises the supplier invoice for payment. This practice will provide adequate separation of roles.
- (13) That the CEO implement new internal control procedures for accounts payable requiring a copy of the purchase order to be attached to each supplier invoice.
- (14) That the CEO consider implementing new internal control procedures for accounts payable where the purchase order contains a summary table of the quotations obtained to show compliance with the purchasing thresholds in Council's purchasing policy 4.8.
- (15) That the CEO implement new internal control procedures for accounts payable where the finance officer/creditors signs and dates the creditor batch transaction listing report.
- (16) That the CEO consider amending Delegation 1.32 to incorporate the positions/employees who are authorised signatories to approve electronic payments or sign cheques from the Municipal or Trust funds, and the limit applicable to each position (if any).
- (17) That Council place a priority on the review of its informing strategies required under *Local Government (Administration) Regulation 19DA(3)(c)*.
- (18) 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.
- (19) That Council consider the suitability of the model policies provided.

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## Opinion

The review of the Financial Management Systems and Procedures developed by the Shire of Cranbrook 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:

- (i) The proper collection of all money owing to the local government;
- (ii) The safe custody and security of all money collected or held by the local government;
- (iii) 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);
- (iv) Ensuring the proper accounting for municipal or trust-
  - (i.) Revenue received or receivable;
  - (ii.) Expenses paid or payable; and
  - (iii.) Assets and liabilities;
- (v) Ensuring the proper authorisation for the incurring of liabilities and the making of payments;
- (vi) The maintenance of payroll, stock control and costing records; and
- (vii) 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 Cranbrook 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 Review 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 2022/23 budget adoption process, imposed a rates and service instalment interest charge of 5.5%, 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 2022/23 budget adoption process, imposed an administration fee of \$10.00 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, INCENTIVES, CONCESSIONS AND WAIVERS

#### 2.5.1 DISCOUNTS AND INCENTIVES ON RATES AND SERVICE CHARGES

The Shire does not offer a discount or concession on rates.

The Shire offered the following rate payment incentives in its 2021/022 and 2022/2023 budgets:

1. First prize of a refund of property rates up to a value of \$1,000; and
2. Various other prizes donated by other organisations ( these change from year to year).

#### Observations

Section 6.46 provides the head of power for a local government to resolve to grant a discount or other incentive (by absolute majority) for the early payment of any rate or service charge.

Regulation 22(1)(h(i) and Regulation 26(2) of the *Local Government (Financial Management) Regulations 1996* require a local government to disclose in its annual budget the total cost of each incentive scheme.

The rate payment incentives were not disclosed in the 2021/2022 or the 2022/2023 annual budget.



Regulations 42(1)(b) and (2)(b) *Local Government (Financial Management) Regulations 1996* requires a local government to disclose in its annual financial report:

- (a) in respect of an incentive other than a discount-
  - (i) a brief description of the incentive scheme; and
  - (ii) a statement of how that incentive was claimed; and
  - (iii) the total cost to the local government of each incentive scheme.

The rate payment incentives provided were not disclosed in the 2021/2022 annual financial report.

It is suggested the Shire commence collecting the relevant data for the rates incentives to be disclosed in the 2022/2023 annual financial report, and the relevant disclosure be made in the 2023/2024 statutory budget.

#### 2.5.2 DISCOUNTS AND INCENTIVES AND CONCESSIONS ON OTHER MONEY

Under Delegation 1.90, the CEO has authority to grant concessions on any adopted fee or charge up to a maximum of 30%.

An inspection of sundry debtor invoices revealed that concessions of 30% were approved for Cranbrook Caravan Park fees.

##### Observations

Section 6.12(1)(b) provides the head of power for a local government to waive or grant concessions in relation to any amount of money.

Regulations 42(1)(c) and (2)(c) *Local Government (Financial Management) Regulations 1996* requires a local government to disclose in its annual financial report:

- (a) in relation to a waiver or concession-
  - (i) a brief description of the waiver or concession; and
  - (ii) a statement of the circumstances in which it was granted; and
  - (iii) details of the persons or class of persons to whom it was available; and
  - (iv) the objects of, and reasons for the waiver or concession;
  - (v) the total cost, or reduction in revenue, to the local government of the waiver or grant of a concession in relation to fees and charges.

It is suggested the Shire commence collecting data on concessions granted in relation to fees and charges so the relevant disclosure can be made in the 2022/2023 annual financial report.

#### 2.5.3 WAIVERS AND CONCESSIONS ON OTHER MONEY

Under Council Policy 4.12 Fees and Charges – Application, the Shire provides free hire of Shire facilities (including chairs) to local community groups located in or in support of the Shire of Cranbrook community. The granting of free hire constitutes a waiver of the applicable fee listed in the Schedule of Fees and Charges.

## Observations

Section 6.12(1)(b) provides the head of power for a local government to waive or grant concessions of any amount of money.

Regulations 42(1)(c) and (2)(c) *Local Government (Financial Management) Regulations 1996* requires a local government to disclose in its annual financial report:

- (a) in relation to a waiver or concession-
  - (i) a brief description of the waiver or concession; and
  - (ii) a statement of the circumstances in which it was granted; and
  - (iii) details of the persons or class of persons to whom it was available; and
  - (iv) the objects of, and reasons for the waiver or concession;
  - (v) the total cost, or reduction in revenue, to the local government of the waiver or grant of a concession in relation to fees and charges.

It is suggested the Shire commence collecting data on waivers granted in relation to fees and charges so the relevant disclosure can be made in the 2022/2023 annual financial report.

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## 2.6 INTEREST ON MONEY OWING TO THE LOCAL GOVERNMENT

The Shire imposed a late payment penalty interest charge of 7% on other money, other than rates, owing to the Shire during 2021/2022 and 2022/2023 financial years.

### Observations

Section 6.13(1) requires Council to pass a resolution by absolute majority to require a person to pay interest at the rate set in its annual budget on any amount of money (other than rates and service charges) which the person owes to the local government.

Section 6.13(2) requires that a resolution under sub-section (1) is included in the annual budget.

Regulation 43(b) of the *Local Government (Financial Management) Regulations 1996* requires a local government to disclose in its annual financial report:

- (a) interest under section 6.13 for the late payment of any amount of money-
  - (i) the rate of interest; and
  - (ii) the amount of revenue from the imposition of the interest.

There was no specific resolution passed by an absolute majority decision of the Council to adopt the imposition of interest on money (other than rates and service charges) owed to the local government.

It is noted that:

- (a) The Council resolution adopting the annual budget in 2021/2022 and 2022/2023 was passed by an absolute majority; and
- (b) the following statement is included on page 26 of the statutory budget for 2021/2022 and on page 24 of the statutory budget for 2022/2023:

*"The Shire has resolved to charge interest under section 6.13 for the late payment of any amount of money at 7%."*

It is suggested that a separate agenda report be prepared for the adoption of the imposition of interest on other money owing to the local government, so there is transparency in relation to the interest imposed, rather than it being captured with a catch-all budget adoption resolution .

The interest charge was not included in the Schedule of Fees and Charges. It is considered good practice to disclose the interest charge on other money in the Schedule of Fees and Charges.

It is suggested the Shire commence collecting data on the amount of revenue resulting from the imposition of the interest charge so the relevant disclosure can be made in the 2022/2023 annual financial report.

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## 2.7 OUTSTANDING RATES RATIO

The outstanding rates ratio for the 2021/22 financial year was 1.03%, a decrease of 0.07% in comparison to the previous year. The benchmark for this ratio is less than 5%.

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## 2.8 RATING FUNCTION AND RATES PAYMENTS

The Shire undertakes the rating function, including the billing process, interim rating, valuation updates and instalment reminders.

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### 2.8.1 ANNUAL REVALUATION OF PROPERTIES

The Shire is required to implement land valuations for rateable properties when updated valuation schedules are provided by the administering government agencies. Properties on different valuation methodologies are subject to different valuation cycles.

Unimproved valuation properties, consisting of rural land and mining tenements are valued each year. The valuations are provided by:

- (a) Landgate for all rural properties, generally in April/May of the preceding year, with the new valuations coming into force as of 1 July; and
- (b) Department of Mines, Industry Regulation and Safety for all mining, exploration and prospecting tenements, generally in April/May of the preceding year, with the new valuations coming into force as of 1 July.

Gross rental value properties for country local governments are generally on a 5-year valuation cycle, although this can be extended out to 7 years. Valuations are provided by Landgate.

The most recent valuation roll for rural properties was prepared by Landgate on 26 April 2022, with an effective date of 1 July 2022, with a value total of \$372,298,800. Revaluation amendments were issued in May 2022 totalling \$529,000.

The most recent valuation roll for mining/exploration tenements was prepared by Department of Mines, Industry Regulation and Safety on 16 May 2022, with an effective date of 1 July 2022, with a value total of \$36,734. An updated revaluation amendment was received on 3 Jun 2022 detailing a mining tenement death totalling (\$1,166).

A test check of the valuations loaded into the Synergy system to the valuation rolls supplied verified the balances were correct.

## 2.8.2 MONTHLY RECONCILIATION OF RATES

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The rates subsidiary ledger is reconciled to the general ledger on a monthly basis.

Test checks of the reconciliation were performed for the months of April 2022, October 2022 and February 2023 and all reconciliations balanced and were signed by the rates officer and certified by the Manager Finance and Administration.

## 2.8.3 NON-RATEABLE PROPERTIES

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A list of non-rateable properties is held within the Synergy rating system. These were reviewed for rate exemption status under section 6.26 of the *Local Government Act 1995*. There was no evidence on the Synergy rating system indicating when the last update/review was completed.

### Observation

Periodic reviews of non-rateable properties should be conducted to ascertain if rate exempt status is maintained under the provisions of section 6.26 of the Act.

It is suggested that as a minimum non-rateable properties should be reviewed at least once every 2-3 years.

It is suggested that a Rate Exemption Register be implemented detailing the following information:

- (a) Assessment number
- (b) Property address
- (c) Suburb/Town
- (d) Ratepayer
- (e) Use of property
- (f) Exemption Reason
- (g) Exemption description
- (h) Review date
- (i) Land use

## 2.8.4 RATE PAYMENT METHODS

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Rates payments are received via four methods:

- (a) over the counter at the Cranbrook administration centre or the Frankland Community Resource Centre;
- (b) Using BPAY, a secure payment collection portal with the customer entering their invoice details and payment amount; or
- (c) making a direct deposit to the Shire's bank account quoting the ratepayers assessment number as the reference; or
- (d) 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 Receipting 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 Receipting System and posted to the Rates Subsidiary Ledger and General Ledger.

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## 2.9 SUNDRY DEBTORS

Sundry debtor invoices were test check for accuracy and compliance with the Schedule of Fees and Charges. 56 invoices were reviewed for the months of April 2022, October 2022 and February 2023, representing a sample of approximately 18%.

These sample invoices were checked for:

- (a) Compliance with the fee in the Schedule of Fees & Charges;
- (b) Supporting documentation was provided to verify the raising of the debtor invoice;
- (c) GST was charged in accordance with the GST Act, where applicable.

Of the 56 invoices sampled, all invoices were found be in accordance with the Schedule of Fees and Charges.

### Observation

Debtor invoices are not printed and retained with the debtor invoice request supporting documentation. This makes it difficult to verify whether the invoice raised and sent to the customer matches the supporting documentation and the debtor batch transaction listing.

The Finance Officer entering the debtor invoices does not sign the debtor batch transaction listing to certify they have generated and reviewed the entries correctness. It is recommended that the officer creating the debtor invoices sign the debtor batch transaction listing as this ensures that the report has not been edited or changed by another officer.

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## 2.10 CASH FLOATS AND PETTY CASH

Total cash floats held in the Shire of Cranbrook balance sheet is \$650.00. Current cash floats on hand are as follows:

Administration Front Counter Cash Register Cash Float	\$200
Administration Petty Cash Float	\$200
Frankland River Caravan Park Cash Float	\$100
Cranbrook Caravan Park Cash Float	<u>\$150</u>
	<b><u>\$650</u></b>

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## 2.11 MONEY COLLECTED FROM OUTSTATIONS

The Shire receives money collected from three outstations.

### (1) Frankland CRC

The Frankland CRC is responsible for a cash float of \$100. The CRC receives cash, cheque and EFTPOS payments on behalf of the Shire for caravan park bookings, rates payments, debtor payments, tip passes, animal registrations, and merchant sales (history books and glassware).

All cash payments are recorded in the manual receipt book, with cash being placed in the cash box. EFTPOS payments processed are documented on the Red Bag Contents form

and immediately emailed to the Finance Officer, who completes the bank reconciliation process.

Cash is emptied from the washing machine and dryer on an ad-hoc basis (every 2-3 months), recorded in the manual receipt book and stored in the cash box. It was noted that the cleaners have access to the coin box on the machines and re-use the coins to launder the linens from the chalets at the Frankland River caravan park.

Each payment, whether cash, cheque or EFTPOS is recorded on the Red Bag Contents form detailing:

- (a) Item Description;
- (b) Amount of payment and type (cheque, EFTPOS, cash);
- (c) Date payment taken;
- (d) Name of person taking payment; and
- (e) Signature of person taking payment.

Prior to collection, cash and cheque takings and all receipts, including EFTOS receipts, are placed in the Red Bag and sealed with a security zip tie. The Red Bag is collected from the CRC at least once per week by a Shire employee.

The Shire Employee delivers the Red Bag to the Finance Officer who receipts the takings into Synergy, undertakes the bank reconciliation process and files the receipts in the bank reconciliation file and deposits the funds at the bank.

At the end of the month the caravan park bookings list is sent to the Shire detailing patrons name, date in, date out, sign in date, amount paid, receipt type (cash/EFTPOS) or whether an invoice is to be raised if patron is from a company who has a billing arrangement with the Shire.

#### Frankland River Camping Facilities

Camping fees are set based on the following:

Park home with ensuite	\$110/night
Worker accommodation	\$85/night
Powered site	\$30/night
Unpowered site	\$15/night
Casual shower per person	\$4/day

#### Observations

Nil at this stage -

#### (2) Cranbrook Caravan Park

The caravan park caretaker is responsible for a cash float of \$150. Caretaker receives cash, cheque and EFTPOS payments from patrons utilising the camping facilities; fund received are recorded in the online RMS booking software. Receipts are printed out and handed to patrons, upon request, from the RMS system.

Cash is emptied from the washing machine and dryer each week, recorded in the RMS system and stored in the cash box.

EFTPOS payments are recorded in the RMS system and a copy is emailed to the Finance Officer who completes the bank reconciliation process.

Online bookings and payments made via the Shire website payment gateway, once confirmed, are recorded in the RMS booking system.

Each Monday morning the caretaker prepares a reconciliation of weekly takings, by printing out the weekly takings report from the RMS system, counts cash takings in cash box by verifying and removing the cash float (\$150) and matching cash total to RMS report.

Any caravan park stays for patrons that have a billing arrangement with the Shire are sent an invoice by the Finance Officer – Debtors, using the weekly bookings report from RMS that indicates an invoice is to be sent to the company/patron.

#### Cranbrook Camping Facilities

Camping fees are set based on the following:

Chalet without ensuite	\$80/night
Park home with ensuite	\$110/night
Powered site	\$30/night
Unpowered site	\$15/night
CBH units per person	\$65/night
RV Rest Stop	\$5/night
Washing powder	\$3/cup
Washer/Dryer	\$4/load
Casual shower per person	\$4/day

#### Observations

Nil at this stage.

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## 2.12 POLICIES RELATING TO DEBT COLLECTION

The Shire has a generic debt recovery policy for the collection of outstanding rates debts, service charges and sundry debts – Policy 4.5.

#### Observations

The CEO may wish to consider implementing separate policies for the collection of rates debts and debts other than rates to assist guide staff on collection processes and timelines to be followed.

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## 2.13 MAPPED PROCESSES

Mapped processes for mail/cashiering and accounts receivable have been prepared. These have been checked for internal control measures.

#### Observations

Analysis of the mapped processes indicates there are weaknesses present:

Accounts Receivable mapped process weaknesses:

- (a) Debtor invoices are not printed and retained with the debtor invoice request supporting documentation. This makes it difficult to verify whether the invoice raised and sent to the customer matches the supporting documentation and the debtor batch transaction listing.



- (b) The Finance Officer entering the debtor invoices does not sign the debtor batch transaction listing to certify they have generated and reviewed the entries correctness. It is recommended that the officer creating the debtor invoices sign the debtor batch transaction listing as this ensures that the report has not been edited or changed by another officer.

Mail/Cashiering mapped process weaknesses:

- (a) A daily Cash Reconciliation form is not completed to demonstrate and record that a count of the cash float and cash received is performed by two employees. It is recommended that a count of the administration office cash register float is 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 and cash hand-over procedures through verification by two officers.

## 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) Frankland CRC and caravan park takings are held at the CRC building and collected at least weekly by a Shire employee.
- (ii) Cranbrook caravan park takings are held in a locked cash box until receipted at the Administration Office each Monday.

### 3.2 BANKING OF MONEY COLLECTED

Money collected at the Shire's administration centre is banked Monday and Wednesdays at the local Bendigo Bank 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.

The Shire has an Investment Register which includes:

- (a) nature and location of all investments; and
- (b) the transactions related to each investment.

Council has adopted an Investment Policy "4.4 – Investments", to ensure control over investments. A requirement of this Policy is that the details of all investments are reported to Council each month. This information is reported in the Council agenda as part of the Monthly Financial Report at Note 2.

The Council has granted delegated authority to the Chief Executive Officer to invest money held in the municipal fund or trust fund that is not, for the time being, required for any other purpose – Delegation 1.30.

#### Observations

Council's Investment Policy complies with the requirements of the Local Government Act 1995 and the Financial Management Regulations.

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

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### 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 commercial crime and cybercrime protection, which includes protection for:

- (a) internal crime;
- (b) external crime;
- (c) theft; or
- (d) physical loss or damage.

with limit for any one occurrence of \$500,000.

## 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 the Manager Finance and Administration, 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 Ramped Technology 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 virtual servers;
  - Administration – 24 desktop/laptop computers and associated peripherals;
  - Depot - 2 desktop/laptop computers;
  - Department of Transport 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, bank reconciliations, dogs, property, trust, and central records.
  - Microsoft suite for word processing and spreadsheets.
  - Trelis – Department of Transport licensing software.
  - RAMM – an internet-based asset inventory and management system for roads.
  - Metrocount – Traffic counting software.
  - Spydus – 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 force changed on an ad-hoc basis selected by Ramped Technology.

The servers are the key storage medium for financial records and all the accounting and financial data is maintained on the above-mentioned systems.

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#### 4.3 DATA BACKUP

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

The back-up system implemented is a DATTO solution with automated, verified backups stored locally and in the cloud.

The Shire does not receive regular notifications advising whether the back-up has been successfully performed.

The Shire is in the process of developing an ICT Disaster Recovery Strategy.

##### Observations

The local government does not test and validate data backups regularly, via test recovery scenarios, full or partial.

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#### 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.

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#### 4.5 ADMINISTRATION CENTRE SECURITY

Council has installed a security alarm system with movement sensors.

Each employee has their own swipe card to access the administration centre, with a generic backup pin for access.

Smoke detectors are not installed.

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#### 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 strong room, and then archived at the town hall. Additional archive facilities are available at the regional archive facility located in the Shire of Broomehill-Tambellup.

## 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 the SynergySoft bank reconciliation module, and verifies all transactions detailed on the bank statement match to those recorded in the general ledger.

#### 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.

On 9 February 2023, an EFTPOS refund was processed, but there is no record of the refund/receipt reversal in the cash receipting file. However, the refund of \$80 was traced to the general ledger and bank statement.

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 currently holds no funds in the Trust bank account.

#### Observations

Nil.

### 5.3 FINANCIAL SOFTWARE SYSTEM

The Chief Executive Officer, in conjunction with Manager Finance and Administration, monitors the operations of the Financial Software System on an ongoing basis along with IT consultants Ramped Technology and IT Vision. Ramped Technology are contracted to provide information technology support services to the Shire. IT Vision are contracted to provide software support for

the SynergySoft system. This ensures secure data protection and the Shire's financial management functions are being appropriately carried out.

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#### 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.

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#### 5.5 PROFESSIONAL DEVELOPMENT FOR STAFF

The Shire has a policy "2.7 – Professional Development and Training" relating to staff training and professional development opportunities including attendance at conferences, seminars and study courses.

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#### 5.6 MAPPED PROCESSES

Mapped processes for mail/cashiering, accounts receivable, accounts payable and petty cash have been prepared. These have been checked for internal control measures.

##### General Observations

Accounts Payable mapped process weaknesses:

- (a) The employee certifying for receipt of the goods/services is also authorising the supplier invoice for payment. This practice does not provide adequate separation of roles and the employee placing the order should initial the invoice to certify goods/services have been received/rendered appropriately.
- (b) The purchase order authorisation limit for the Manager Finance and Administration and the Manager of Works is not documented in the Purchasing Policy or the Delegation of Authority, so it is difficult to ascertain what purchasing limit has been imposed.
- (c) Purchase orders are not attached to the supplier invoice in all instances.
- (d) There is no evidence a check is performed on whether the purchase has complied with Council's purchasing policy requirements in relation to required quotes for purchases in each threshold value.
- (e) The Finance Officer entering creditors does not sign and date the creditor batch reports to signify the report has been checked, prior to handing to a supervisor for review and approval.

Accounts Receivable mapped process weaknesses:

- (a) Debtor invoices are not printed and retained with the debtor invoice request supporting documentation. This makes it difficult to verify whether the invoice raised and sent to the customer matches the supporting documentation and the debtor batch transaction listing.
- (b) The Finance Officer entering the debtor invoices does not sign the debtor batch transaction listing to certify they have generated and reviewed the entries correctness. It is recommended that the officer creating the debtor invoices sign the debtor batch transaction listing as this ensures that the report has not been edited or changed by another officer.



Mail/Cashiering mapped process weaknesses:

- (a) A daily Cash Reconciliation form is not completed to demonstrate and record that a count of the cash float and cash received is performed by two employees. It is recommended that a count of the administration office cash register float is 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 and cash hand-over procedures through verification by two officers.

#### Cheque and EFT Payment Observations

60 EFT payments for April 2022 and March 2023 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 60 payments revealed that:

- (a) In some instances, the certification stamp on supplier invoice was not signed by data entry officer that additions on the invoice had been checked for accuracy.
- (b) There was 1 error in the GST coding of supplier invoices, resulting in the overclaiming of entitled GST input tax credits.
- (c) There were four 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 4.8.

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

### 6.1 AUTHORISATION OF PURCHASE ORDERS AND MAKING OF PAYMENTS

Policy “4.8 – Purchasing” adopted by Council 20 April 2022 details the purchasing thresholds for obtaining quotes and tenders. The Policy includes a Regional Price Preference statement requiring Officers to consider local and regional businesses in their purchasing decisions and provide a 5% price preference to local suppliers, or a 2.5% price preference to suppliers from a local government within the Great Southern Region of WA, when obtaining quotations.

The Council of the Shire of Cranbrook, through Delegation 1.32, 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.

#### Observations

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 1.32, 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 sub-delegated this function to the Manager Corporate and Community (now Manager of Finance and Administration) and the Manager of Works.

#### Observations

Delegation 1.32 and Policy 4.8 do not list the employees who are authorised signatories to approve electronic payments or sign cheques from the Municipal or Trust funds.

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

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## 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.

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## 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.

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## 6.6 PURCHASING POLICY

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

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## 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 Cranbrook Purchasing Policy 4.8 are as follows:

Purchase Threshold	Purchasing Practice	Authorised Officers
\$0 - \$100	Direct purchase from suppliers. Quotations and purchase orders not required.	All staff
\$101 to \$5,000	Direct purchase from suppliers using a Purchase Order or Corporate Credit Card issued by the Shire of Cranbrook, obtaining at least one (1) verbal or written quotation from a suitable supplier.	CEO, Managers and Delegated Purchasing Officers
\$5,001 - \$50,000	Obtain at least two (2) verbal or written quotations from suppliers.	CEO & Managers
\$50,001 - \$249,999	Obtain at least three (3) written quotations from suppliers containing price and specification of goods and services.	CEO
\$250,000 and over	Conduct a public tender process or WALGA Preferred Supplier / State Government Common Use Agreement.	Full Council

### Observations

Sample testing of payments and attached supporting documentation for April 2022 and March 2023 revealed there were 5 purchase instances where there was no documentation to support compliance with the Shire's Purchasing Policy. A total of 60 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 monthly BAS returns from July 2022 to February 2023 was undertaken.

The review highlighted that all BAS returns were lodged on time, except October 2022 which was lodged 4 days after the due date.

## 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 weaknesses present:

- (a) The employee certifying for receipt of the goods/services in the majority of cases is also the officer authorising the supplier invoice for payment. This practice does not provide adequate separation of roles.
- (b) The authorisation limit for making payments by the Manager Finance and Administration and the Manager of Works is not documented in the Delegation of Authority, so it is difficult to ascertain what approval limit has been imposed, (if any).
- (c) Purchase orders are not attached to the supplier invoice in all instances.
- (d) There is no evidence a check is performed on whether the purchase has complied with Council's purchasing policy requirements in relation to required quotes for purchases in each threshold value.
- (e) The Finance Officer entering creditors does not sign and date the creditor batch reports to signify the report has been checked, prior to handing to a supervisor for review and approval.

## 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 materials are held as Stock on Hand, with a manual register detailing stock held at the end of the month. An SMS Register is also maintained with any credit held as stock at the end of the year.

#### Observations

The fuel Stock/Stores system in Synergy has not been implemented. 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.

A physical fuel dip is done, and fuel receipts and issues are recorded, with a formal reconciliation performed monthly.

It was noted that:

- (a) the fuel allocation price was different from the fuel purchase price and the average fuel price. This indicates no formal stock pricing method is being used to allocate fuel issues and calculate stock on hand, rather an estimated price close to last purchase price was being used. It is suggested that the Shire select a fuel stock pricing method moving forward and apply that value method consistently, ensuring the pricing method is GST exclusive. The simplest method for fuel is to use the last purchase price at the end of the month, given that fuel prices fluctuate daily.

### 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 prepared.

#### 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; 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 2021.

The Shire's informing strategies consist of a Strategic Resource Plan (incorporating the Long-Term Financial Plan and Asset Management Plan) and a Workforce Plan. The Strategic Resource Plan was last adopted on 16 August 2017. The Workforce Plan was last adopted in May 2021.

#### Observations

The Long-Term Financial Plan and Asset Management Plan are currently under review.

The Strategic Community Plan, Corporate Business Plan and Workforce Plan are due for review in 2024.

### 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 Financial Activity by Program;
- (b) Statement of Financial Activity by Nature/Type;
- (c) Statement of Net Current Assets;
- (d) Statement of Explanation of Material Variances;
- (e) Summary of Cash on hand;
- (f) Summary of Receivables;
- (g) Summary of Payables;
- (h) Summary of General Rate Revenue;
- (i) Disposal of Assets Listing;
- (j) Capital Acquisition Listing;



- (k) Information on borrowings;
- (l) Cash reserves;
- (m) Other current liabilities;
- (n) Grants and contributions;
- (o) Trust Fund balance;
- (p) Budget amendments; and
- (q) Explanation of material variances;
- (r) 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 Cranbrook 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) Copies of debtor invoices are not filed with the supporting documentation.

It is suggested all debtor invoices are printed and filed with all the relevant the supporting documentation attached to them to allow external auditors to verify the nature of the services provided and the fee being charged.

- (b) Debtor invoice batch reports are not signed by the originator.

It is suggested the officer who enters/creates the debtor invoice batch also signs and dates the batch report to certify the information contained in the batch report has been reviewed and is correct.

- (c) It is noted that the interest imposed on debts other than rates was not formally adopted by resolution of Council.

It suggested that a separate formal resolution be passed detailing the rate of interest to be imposed on debts other than rates.

- (2) 30-250.1.2 - All invoices raised are bona-fide

- (a) Debtor batch transaction listing reports are not in all instances signed by a supervisor or other officer to certify the invoice batch report is correct and is ready for update.

It is suggested all debtor batch transaction listing reports are reviewed by a supervisor; and signed and dated to certify and approve the batch for update.

- (b) An invoice request form is not utilised for the raising of debtor invoices for reimbursements, contributions and sundry debts.

It is suggested that an invoice request form be utilised as supporting documentation to initiate the raising of invoices where there is no other supporting document available.

- (3) 30-270.2.2 – All sales invoices are correctly recorded in the accounts

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

Currently the finance officer who creates the debtor invoices also informally approves the invoices. It is suggested the Manager of Finance and Administration (MFA) undertake the role of certifying and approving the debtor batch transaction report when raising debtor invoices.

- (4) 30-270.2.4 – All cash receipts are deposited

- (a) Bank reconciliation for the month of February 2023 did not reconcile due to a superannuation payment refund that was not recorded in the Synergysoft general ledger.

It is suggested that all deposits received be recorded in the general ledger and reconciled to the bank statement in the month received.

It was noted that the refund amount was subsequently reconciled after February 2023.

- (5) 30-300 – Receivables are properly credited, lapping is prevented

- (a) The process for recovery of overdue debts is not in accordance with Council Policy.

It is suggested Council review its debt collection processes and record action taken on the monthly outstanding debtors report.

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 MFA 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) The sample of creditor invoices tested showed that in some instances invoices were not correctly certified and/or authorised by either the data entry officer or by an appropriate supervisor.
- It is suggested the data entry officer should initial all invoices to certify that the creditor invoice has been checked for arithmetic accuracy, GST and ABN registration and calculations, and data entry into Synergysoft.
- (b) The sample of creditor invoices tested showed that in some instances purchase orders were not referenced on the creditor invoice.
- It is suggested all purchase orders should be referenced on the creditor invoice, and where possible attached as supporting documentation.
- (c) The sample of creditor invoices tested showed that the payments in some instances did not meet the required thresholds for number of quotations to be obtained in accordance with Policy 4.8.
- It is suggested that a process be instituted to verify the required number of quotations are obtained in accordance with the monetary thresholds in Policy 4.8, or an exemption memo is issued by the CEO for the purchase in accordance with Policy 4.8 where an exemption to obtain the number of necessary quotations is granted.
- (8) 33-250.1.1 - Stocks and work-in-progress are adequately safeguarded
- (a) For the months of October 2022 and January 2023 the average price used for fuel issues was calculated utilising the GST inclusive price, overstating the fuel issued and expensed.
- It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.
- (9) 33-250.1.2 – All recorded stocks are supported by actual holdings
- (a) Risk of stock register not reflecting physical stock on hand due to error in calculation of average price used for fuel issues.
- It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

(10) 33-330.4.1 - Stocks are properly and accurately costed

- (a) For the months of October 2022 and January 2023 the average price used for fuel issues was calculated utilising the GST inclusive price, overstating the fuel issued and expensed.

It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

(11) 33-330.4.2 – provisions are made where necessary to prevent over-valuation of inventories

- (a) Incorrect calculation of monthly fuel allocation due to incorrect calculation of average price of fuel.

It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

## 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> . No tenders were called during 2022/2023.
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 rates debts.
2. A policy framework on collection of debts other than rates.

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## 12.0 FINDINGS

### Proper Collection of All Money Owing to the Shire

- (1) Rate payment incentives offered were not disclosed in the 2021/2022 or the 2022/2023 annual budget.
- (2) Rate payment incentives offered were not disclosed in the 2021/2022 annual financial report.
- (3) Concessions on fees and charges provided under Delegation 1.90 were not disclosed in the 2021/2022 annual financial report.
- (4) Waivers of fees and charges provided for under Policy 4.12 were not disclosed in the 2021/2022 annual financial report.
- (5) There was no specific resolution passed by an absolute majority decision of the Council to adopt the imposition of interest on money (other than rates and service charges) owed to the local government, under Section 6.13(2) of the *Local Government Act*.
- (6) The rate of interest imposed on money owing to the Shire (other than rates and service charges) was not listed in the Schedule of Fees and Charges.
- (7) A register of rate exempt properties was not in place at time of conducting the Financial Management Review, and there was no evidence on when the last review was conducted. A register was provided after the site review.
- (8) The Accounts Receivable process has the following weakness;
  - (a) Debtor invoices are not printed and retained with the debtor invoice request supporting documentation. This makes it difficult to verify whether the invoice raised and sent to the customer matches the supporting documentation and the debtor batch transaction listing.
  - (b) The Finance Officer entering the debtor invoices does not sign the debtor batch transaction listing to certify they have generated and reviewed the entries for correctness. The officer creating the debtor invoices should sign the debtor batch transaction listing as this ensures that the report has not been edited or changed by another officer.
- (9) The Mail/Cashiering process has the following weakness:
  - (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. This approach provides for sound internal controls through good cash handling and cash hand-over procedures through verification by two officers.



## **Proper Maintenance and Security of the Shire's Financial Records**

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- (10) The local government does not test and validate data backups regularly, via test recovery scenarios, full or partial.

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

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- (11) The Accounts Receivable process has the following weakness;
- (a) Debtor invoices are not printed and retained with the debtor invoice request supporting documentation. This makes it difficult to verify whether the invoice raised and sent to the customer matches the supporting documentation and the debtor batch transaction listing.
  - (b) The Finance Officer entering the debtor invoices does not sign the debtor batch transaction listing to certify they have generated and reviewed the entries correctness. The officer creating the debtor invoices should sign the debtor batch transaction listing as this ensures that the report has not been edited or changed by another officer.
- (12) The Accounts Payable has the following weaknesses:
- (a) The employee certifying for receipt of the goods/services in the majority of instances is also the officer authorising the supplier invoice for payment. This practice does not provide adequate separation of roles and the employee placing the order should initial the invoice to certify goods/services have been received/rendered appropriately.
  - (b) Purchase orders are not attached to the supplier invoice in all instances.
  - (c) There is no evidence a check is performed on whether the purchase has complied with Council's purchasing policy requirements in relation to required quotes for purchases in each threshold value.
  - (d) The Finance Officer entering creditors does not sign and date the creditor batch reports to signify the report has been checked, prior to handing to a supervisor for review and approval.
- (13) The analysis of 60 EFT payments for April 2022 and March 2023 for compliance with Council's purchasing policy revealed that:
- (a) In some instances, the certification stamp on supplier invoice was not signed by data entry officer that additions on the invoice had been checked for accuracy.
  - (b) There was 1 error in the GST coding of supplier invoices, resulting in the overclaiming of entitled GST input tax credits.
  - (c) There were 4 instances where there was no supporting documentation 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 4.8.

## Proper Authorisation for the Incurring of Liabilities and Making of Payments

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- (14) Delegation 1.32 and Policy 4.8 do not list the employees who are authorised signatories to approve electronic payments or sign cheques from the Municipal or Trust Funds.
- (15) 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

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

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- (16) 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

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- (17) 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) Copies of debtor invoices are not filed with the supporting documentation.

It is suggested all debtor invoices are printed and filed with all the relevant the supporting documentation attached to them to allow external auditors to verify the nature of the services provided and the fee being charged.
    - (ii) Debtor invoice batch reports are not signed by the originator.

It is suggested the officer who enters/creates the debtor invoice batch also signs and dates the batch report to certify the information contained in the batch report has been reviewed and is correct.
    - (iii) It is noted that the interest imposed on debts other than rates was not formally adopted by resolution of Council.

It suggested that a separate formal resolution be passed detailing the rate of interest to be imposed on debts other than rates.
  - (b) 30-250.1.2 - All invoices raised are bona-fide
    - (i) Debtor batch transaction listing reports are not in all instances signed by a supervisor or other officer to certify the invoice batch report is correct and is ready for update.

It is suggested all debtor batch transaction listing reports are reviewed by a supervisor and signed and dated to certify and approve the batch for update.
    - (ii) An invoice request form is not utilised for the raising of debtor invoices for reimbursements, contributions and sundry debts.

It is suggested that an invoice request form be utilised as supporting documentation to initiate the raising of invoices where there is no other supporting document available.

(c) 30-270.2.3 – All sales invoices are correctly recorded in the accounts

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

It is suggested the Manager of Finance and Administration (MFA) undertake the role of certifying and approving the debtor batch transaction report when raising debtor invoices.

(d) 30.270.2.4 - All cash receipts are deposited

- (i) Bank reconciliation for the month of February 2023 did not reconcile due to a superannuation payment refund that was not recorded in the Synergyssoft general ledger.

It is suggested that all deposits received be recorded in the general ledger and reconciled to the bank statement in the month received.

It was noted that the refund amount was subsequently reconciled after February 2023 rental payments.

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

- (i) The process for recovery of overdue debts is not in accordance with Council Policy.

It is suggested Council review its debt collection processes and record action taken on the monthly outstanding debtors report.

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.

(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 the MFA 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) The sample of creditor invoices tested showed that in some instances invoices were not correctly certified and/or authorised by either the data entry officer or by an appropriate supervisor.

It is suggested the data entry officer should initial all invoices to certify that the creditor invoice has been checked for arithmetic accuracy, GST and ABN registration and calculations, and entered into Synergysoft.

- (ii) The sample of creditor invoices tested showed that in some instances purchase orders were not referenced on the creditor invoice.

It is suggested all purchase orders should be referenced on the creditor invoice, and where possible attached as supporting documentation.

- (iii) The sample of creditor invoices tested showed that the payments in some instances did not meet the required thresholds for number of quotations to be obtained in accordance with Policy 4.8.

It is suggested that a process be instituted to verify the required number of quotations are obtained in accordance with the monetary thresholds in Policy 4.8, or an exemption memo is issued by the CEO for the purchase in accordance with Policy 4.8 where an exemption to obtain the number of necessary quotations is granted.

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

- (i) For the months of October 2022 and January 2023 the average price used for fuel issues was calculated utilising the GST inclusive price, overstating the fuel issued and expensed.

It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

(i) 33.250.1.2 - All recorded stocks are supported by actual holdings

- (i) Risk of stock register not reflecting physical stock on hand due to error in calculation of average price used for fuel issues.

It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

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

- (i) For the months of October 2022 and January 2023 the average price used for fuel issues was calculated utilising the GST inclusive price, overstating the fuel issued and expensed.

It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

(k) 33-330.4.2 – Provisions are made where necessary to prevent over-valuation of inventories

- (i) Incorrect calculation of monthly fuel allocation due to incorrect calculation of average price of fuel.

It is suggested that the fuel issues calculation sheet include a notation referencing the fact that the average price should be GST exclusive.

## Other Matters

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- (18) A policy on collection of rates debts would assist guide staff on the implementation of appropriate collection procedures.
- (19) A policy on collection of non-rates debts would assist guide staff on the implementation of appropriate collection procedures

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## 13.0 IMPROVEMENT RECOMMENDATIONS

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

- (1) That the relevant information on rate payment incentives be collected so the appropriate disclosure can be made in the 2023/2024 annual budget.
- (2) That the relevant information on rate payment incentives be collected so the appropriate disclosure can be made in the 2022/2023 annual financial report.
- (3) That the relevant information on concessions on fees and charges provided under Delegation 1.90 be collected so the appropriate disclosure can be made in the 2022/2023 annual financial report.
- (4) That the relevant information on waivers of fees and charges provided for under Policy 4.12 be collected so the appropriate disclosure can be made in the 2022/2023 annual financial report.
- (5) That Council pass a separate resolution for the imposition of interest on money (other than rates and service charges) owed to the local government, under Section 6.13(2) of the *Local Government Act* as part of its budget adoption process.
- (6) That the rate of interest imposed on money owing to the Shire (other than rates and service charges) be listed in the Schedule of Fees and Charges.
- (7) That the CEO implement a register of rate exempt properties, with a procedure where periodic reviews are conducted every 2 years.
- (8) That the CEO implement new internal control procedures to ensure a copy of all debtor invoices are printed and filed along with debtor invoice supporting documentation.
- (9) That the CEO implement new internal control procedures for accounts receivable where the finance officer debtors signs and dates the debtor batch transaction listing report.
- (10) That the CEO implement new internal control procedures for accounts receivable 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 by two employees. This approach provides for sound internal controls through good cash handling and cash hand-over procedures through verification by two officers.
- (11) That the CEO obtain regular reports from the external IT provider that data backups have been validated and ensure an annual test of a full system restore is performed.
- (12) That the CEO implement new internal control procedures for accounts payable to ensure the ordering officer certifies good/services have been rendered, and a separate officer authorises the supplier invoice for payment. This practice will provide adequate separation of roles.
- (13) That the CEO implement new internal control procedures for accounts payable requiring a copy of the purchase order to be attached to each supplier invoice.

- (14) That the CEO consider implementing new internal control procedures for accounts payable where the purchase order contains a summary table of the quotations obtained to show compliance with the purchasing thresholds in Council's purchasing policy 4.8.
- (15) That the CEO implement new internal control procedures for accounts payable where the finance officer creditors signs and dates the creditor batch transaction listing report.
- (16) That the CEO consider amending Delegation 1.32 to incorporate the positions/employees who are authorised signatories to approve electronic payments or sign cheques from the Municipal or Trust Funds, and the limit applicable to each position (if any).
- (17) That Council place a priority on the review of its informing strategies required under *Local Government (Administration) Regulation 19DA(3)(c)*.
- (18) 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.
- (19) That Council consider the suitability of the model policies provided.

## 14.0 OPINION

The review of the Financial Management Systems and Procedures developed by the Shire of Cranbrook 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*.

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**ATTACHMENT 1**  
**SAMPLE POLICIES AND DELEGATIONS**

<b>Policy Type:</b>	
<b>Date Adopted:</b>	

<b>Policy No:</b>	<b>XX</b>
<b>Date Last Reviewed:</b>	

<b>Legal (Parent):</b>
1. Local Government Act 1995 (As Amended) – Section 6.13.
2. Financial Management Regulations 19A & 19B

<b>Legal (Subsidiary):</b>
1.
2.

<b>Delegation of Authority Applicable</b>	Yes
<b>Delegation Number</b>	

<b>Work Procedure Applicable</b>	No
<b>Work Procedure Number</b>	

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

## 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 [position] 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 [position] 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 [position] 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 [position] 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.

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<b>Policy Type:</b>	
<b>Date Adopted:</b>	

<b>Policy No:</b>	
<b>Date Last Reviewed:</b>	

<b>Legal (Parent):</b> 1. Local Government Act 1995 (As Amended) – Section 6.56.
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<b>Legal (Subsidiary):</b>
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Delegation of Authority	Yes/No
Delegation Number	

Work Procedure Applicable	Yes/No
Work Procedure No.	

ADOPTED POLICY	
<b>Title:</b>	<b>RECOVERY OF OUTSTANDING RATES AND SERVICE CHARGES POLICY</b>
<b>Objective:</b>	<b>To provide for the collection of outstanding rates and service charges debts in a timely and fair manner.</b>

## 1.0 Debt Recovery Process

### 1.1 Debts unpaid by the due date shown on Rate Notice

- (a) Where the rates remain outstanding fourteen (14) days after the due date shown on the Annual Rates Notice and the ratepayer has not elected to pay by the instalment option, a Final Notice shall be issued requesting payment in full within fourteen (14) days.
- (b) Eligible pensioners registered under the Rates and Charges (Rebates and Deferrals Act) 1992 shall not be issued with a Final Notice as they are entitled to pay by the 30th June under the legislation.

### 1.2 Debts unpaid after expiry date shown on the Final Notice

- (a) Rates remaining unpaid after the expiry date shown on the Final Notice will be examined for the purposes of issuing a Demand Letter (Notice of Intention to Summons).
- (b) The Demand Letter is to be issued within thirty (30) days of the expiry date on the Final Notice and must specify that the ratepayer has fourteen (14) days to pay in full or alternatively enter into a special payment arrangement with the Shire.
- (c) Failure to enter into an agreed payment arrangement will result in the debt being placed in the hands of a debt collection agency or recovery of the debt in a court of competent jurisdiction without further notice.

## 2.0 Debt Management – Unpaid for Less than 2 Years

### 2.1 Where a debt is outstanding for less than 2 years the debt is to be either:

- (a) placed in the services of a debt collection agency for recovery; or
- (b) recovered through the commencement of legal action in a court of competent jurisdiction.
- (c) Legal costs and the costs of proceedings associated with (a) and/or (b) above will be a charge against the property, in accordance with Section 6.56 of the *Local Government Act 1995*.

## 3.0 Debt Management – Unpaid for 2 Years but less than 3 years

- 3.1 Where a rates and service charges debt is outstanding for 2 or more years and it is considered appropriate that the interests of Council should be protected, caveats are to be lodged on the land.
- 3.2 Caveats lodged on land are only to be withdrawn where the owner has met his/her obligation in full in relation to rate and service charges outstanding.

## 4.0 Debt Management – Unpaid for at least 3 Years

- 4.1 A report is to be presented to Council on an annual basis, detailing the amount of rates and services charges outstanding, by Assessment Number, and recommended action to be authorised by the Council; whether that be the lodging of a caveat on the title or sale of the

property. The Privacy Act prevents the property and owner's details from being published in a report to Council.

DRAFT

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

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Client Code		Reviewer	
Period Start	1-Apr-2022	Period End	31-Mar-2023
		Date Prepared	17-Apr-2023

Reviewing Outstanding Items		
Worksheet	Description	Error Description
<a href="#">130-250 1.1</a>	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Existence / Occurrence 1.1	Control objective has not been met
<a href="#">130-250 1.2</a>	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Existence / Occurrence 1.2	Control objective has not been met
<a href="#">130-270 2.2</a>	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Completeness / Classification 2.2	Control objective has not been met
<a href="#">130-270 2.4</a>	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Completeness / Classification 2.4	Control objective has not been met
<a href="#">130-300</a>	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Ownership / Proprietary	Control objective has not been met
<a href="#">130-330 4.1</a>	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Valuation / Measurement 4.1	Control objective has not been met
<a href="#">131-250 1.1</a>	Internal Control Evaluation Form Sales, Debtors and Cash Receipts - Valuation / Measurement 4.1	Control objective has not been met
<a href="#">133-250 1.1</a>	Internal Control Evaluation Form Inventories and Cost of Sales - Existence / Occurrence 1.1	Control objective has not been met
<a href="#">133-250 1.2</a>	Internal Control Evaluation Form Inventories and Cost of Sales - Existence / Occurrence 1.2	Control objective has not been met
<a href="#">133-330 4.1</a>	Internal Control Evaluation Form Inventories and Cost of Sales - Valuation / Measurement 4.1	Control objective has not been met



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Internal Control Evaluation Form		30-250 1.1
Sales, Debtors and Cash Receipts - Existence / Occurrence 1.1		
Smart Review	0	Unanswered Questions
		0

Audit assertion: 1. Existence / Occurrence

Control objective: 1.1 All invoices raised are properly supported/validated by goods being dispatched.

Key Controls	Control Risk	Planned Reliance	Notes	WIP
Local Government Financial Management Regulation 5 (d) to ensure proper accounting for municipal or trust — (1) revenue received or receivable				
<p>Policy 4.5 Finance Rates and Sundry Debtors Charges - Write Offs Write-off of small amounts: To assist with the maintenance of the Shire's rate record and Sundry Debtors and to ensure employee resources are effectively utilised, any penalty interest amount outstanding at the end of each calendar month of less than \$200.00 may be written off at the discretion of the Chief Executive Officer. This write-off is only to occur where all other property rates, rubbish charges, levies and sundry debts have been paid in full.</p> <p>Recovery Process - Rates and Sundry Debtors:- In the event of any rates or debt remaining outstanding, the Chief Executive Officer is authorised to provide a "Notice of Intention to Sue" if payment is not made within 14 days; and</p> <p>• At the expiry of the notice of intention to sue, the Chief Executive Officer may initiate action to file a Local Court Summons for recovery of monies owing.</p> <p>The Chief Executive Officer is authorised to take, any further action deemed necessary subsequent to the Local Court Summons depending on the circumstances of each particular claim.</p> <p>• All agreements to pay property rates</p> <p>Rubbish and Recycling Charges:</p> <p>The following properties to be exempt from the payment of the annual charge for kerbside rubbish and recycling collection services:</p> <ul style="list-style-type: none"> <li>• Anglican Church, Cranbrook;</li> <li>• Anglican Church, Tenterden;</li> <li>• Baptist Church, Cranbrook;</li> <li>• Baptist Church, Frankland River;</li> <li>• Catholic Church, Cranbrook;</li> <li>• Catholic Church, Frankland River;</li> <li>• St John Ambulance, Cranbrook; and</li> <li>• St John Ambulance,</li> </ul> <p>Frankland River service charges are to be in writing and that every effort is made to make sufficient payments in order to clear the outstanding debt (including interest) by 30 June of the financial year in which the rates were raised.</p> <p>• Following a rate or debt becoming overdue for payment, the Chief Executive Officer is authorised to issue a final notice for its recovery, allowing 14 days for payment;</p> <p>• The Chief Executive Officer must have regard to the Financial Hardship Policy during the recovery process;</p> <p>• The Chief Executive Officer may establish an agreement with a person as to payment of rates or debts, however subject to the imposition of interest rate policies as resolved in the Policy 4.12 -Finance Fees and Charges Application • Shire facilities such as halls and community centre rooms, are available free of charge to local community groups located in or in support of the Shire of Cranbrook. These groups include:</p> <ul style="list-style-type: none"> <li>o Sporting groups</li> <li>Church groups</li> <li>Voluntary community support groups (eg Red Cross)</li> </ul>				
			Invoices are raised for services and materials provided as detailed in the Schedule of Fees and Charges except when receipts are issued over the counter or EFT transfers for such items as FAG grants. Invoices are raised via the Synergy Software by the Finance Officer	
			Examples of invoices raised as per debtors batch transactions listing are for short stay accommodation caravan parks, cemetery fees, standpipe, town planning application fees, private works, reimbursements, contributions, hall hire, community bus rental, equipment hire, lease fees,	



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Internal Control Evaluation Form		T30-250 1.1	
Sales, Debtors and Cash Receipts - Existence / Occurrence 1.1			
Smart Review	0	Unanswered Questions	0

Audit assertion: 1. Existence / Occurrence

Control objective: 1.1 All invoices raised are properly supported/validated by goods being dispatched.

Key Controls	Control Risk	Planned Reliance	Notes	WIP
Policy 4.17- Refunding of Fees and Charges - The Shire can issue refunds for monies received for payment of fees and charges listed in the Schedule of Fees and Charges including but not limited to approvals, bonds, hire fees, licenses, memberships, permits, rates and registrations upon written application only. All written applications will be considered on its individual merits. The Shire of Cranbrook reserves the right to determine eligibility for a refund on a fee or charge listed in the Schedule of Fees and Charges and eligibility will be based on the information provided by the applicant and the Shire's records. Duplicate payments or overpayments made in error will be issued within 30 days of a refund application being received. Refunds will be GST inclusive if applicable as listed in the Shires Schedule of Fees and Charges. Refunds will require evidence of payment, approval from the relevant Shire Manager and the Shire's Finance Department prior to any refund being made, in accordance with this policy. (ie refund of Caravan Park Fees to be approved by the Manager of Works first, then by the Finance Department).			Source documentation relating to the raising of invoices comprise of requests for private works forms, community bus application forms and vehicle log books, caravan parks record of payment, suppliers invoices for reimbursements, CRCH and FRCRC applications for hire, tender documentation, venue and equipment hire forms, order of burial form, supplier PO, contribution worksheets CESH, wages/salaries reimbursement schedules, emails from staff.	
Delegation 1.9 Grant Discount Waiver and Refund of Fees and Charges-The maximum concession or discount to given on any adopted fee or charge is to be 30%. The reason for granting any discount or concession, the percentage and the length of time applicable for must be recorded in writing. Any discount or concession may only be applied for a maximum of one year at a time to allow annual review. The writing off of rates and sundry debts to the value of \$200.00 where all necessary and appropriate measure have been taken to recover the debt			The process in relation to the raising of invoices is that the documentation listed above triggers the raising of invoices. The following forms have not been sighted to verify completion and authorisation ie Invoice Request Form, New Debtors Details, Debtors Credit Note Request Form.	
			Copy of Trade Debtors invoices raised are not filed with supporting documentation, Debtors Batch Transactions Listing are signed by supervisor but not the originator Impact Statement printed but not signed to ascertain checking (no GL Impact Statements sighted for February 2023), invoices are emailed to the customers. It is noted that GST is charged for contributions to the Asset Replacement Fund these are not supplies and are GST Free.	
			Debtors Batch Transaction Listing is printed, batch is updated in synergy and a GL Impact Statement printed, both reports are attached and filed in the Debtors File.	
			End of month the Finance Officer Debtors/Creditors completes the Debtors Reconciliation by comparing the amount in the GL Detailed Trail balance to Debtors Aged Trail Balance Report which is verified by the Manager Finance and Administration (MFA) detailing confirmation of GL Debtors Control to Debtors Aged Trail Balance. Debtors interest charges are raised and posted monthly, the Debtors Interest Charges report is printed and signed by MFA and along with the GL Impact Statement are filed in the Monthly Reports file. For the month of March 2023 the reports reconciled. It is noted that interest charges imposed on debts outstanding were not formally adopted by Council pursuant to Section 5.13 of the LG Act 1995.	
			All invoices raised are as per the information detailed in the Debtors Batch Transaction Listing and supporting documentation	

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		Date Prepared	17-Apr-2023

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Internal Control Evaluation Form		130-250 1.1
Sales, Debtors and Cash Receipts - Existence / Occurrence 1.1		
Smart Review	0	Unanswered Questions 0

Audit assertion: 1. Existence / Occurrence

Control objective: 1.1 All invoices raised are properly supported/validated by goods being dispatched.

Key Controls	Control Risk	Planned Reliance	Notes	WIP
			Amounts raised were checked against the Schedule of Fees and Charges and supporting documentation and for GST. No errors were detected apart from contributions to Asset Replacement Fund no GST is applicable. Hire forms were checked to the Schedule of Fees and Charges it is noted that staff complete whether recorded in Diary, whether paid, whether Policy 4.12 concessions or waiver apply, whether an invoice is required to be raised and the amount	
			Synergy Debtors Procedure Manual utilised	
<b>Weaknesses</b>		<b>Impact on procedures</b>		<b>WIP</b>
Verification of invoices raised to supporting documentation		No verification of correctness of data from supporting documentation to invoices as copies of invoices are not filed with the supporting documentation and for February 2023 a copies of the GL Impact Statement were not filed with the Debtors Batch Transaction Listing and supporting documentation. Batch Transaction listing not signed by originator. It is recommended that a copy of the invoices raised is attached to the supporting documentation.		
Supporting documentation		Debtors Batch Transaction Listing details were checked to supporting documentation, documentation sighted in most instances, the following documentation was not sighted April 2022 (Exercise With Alyssa, Fox Transportation), October 2022 (Cranbrook Sporting Club, Stephen Woodcock, Lucinda Ettridge, Frankland River District Country Club), February 2023 (Cranbrook Sporting Club)		
Debtors Reconciliations		Prepared monthly.		
Debtors Aged Trail Balance		As at March 2023 \$135,876.79 was outstanding of which \$ 8,794.20 was outstanding for 90 days or more. It is noted that for October 2022 the Debtors Aged Trail Balance detailed collection action taken as part of the Officers review		
Compliance		It is noted that interest charges imposed on debts outstanding were not formally adopted by Council pursuant to Section 6.13 of the LG Act 1995. Also there is need to report in the Annual Financial Statements and Annual Budgets the concessions or waivers provided in Policy 4.12 and Delegation 1.9 pursuant to Section 6.12 LG ACT 1995 and LG (Financial Management Reg. 25 and 42		
Has the control objective been met? N				
<b>Control Conditions</b>		<b>Status</b>	<b>Answer</b>	
(a) Duties are segregated, particularly in relation to ordering, dispatch, invoicing and handing of cash receipts.		✓	Y	
(b) All invoices are supported by relevant delivery documentation.		✓	X	
(c) Supervision is effective.		✓	Y	



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		Date Prepared	17-Apr-2023

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### Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Existence / Occurrence 1.2

30-250 1.2

Smart Review	0	Unanswered Questions	0
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Audit assertion: 1. Existence / Occurrence  
Control objective: 1.2 All invoices raised are bona-fide.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
SAMPLE OF 56 for the months of April 2022, October 2022 and February 2023 total invoices raised for the period April 2022 to March 2023 312 tested 18% refer 30.250.1.1			Statements are sent out to debtors on a monthly basis	
			supporting documentation filed by month and comprise of refer 30 - 250 1.1	
			all invoices checked appear to be bona fide	

Weaknesses	Impact on procedures	W/P
Invoices raised are not checked to Debtors Batch Transaction Listing by a supervisor or other officer nor is a Debtors Invoice Request Form utilised for invoices to be raised for reimbursements and contributions and sundry	Invoices raised are not verified for correctness before posting and mailing to customer. In some instances the Debtor Batch Transaction Listing was not signed, the Debtors Batch Transaction Listing is checked to GL Impact Statement but in some the GL Impact Statement was not filed.	

Has the control objective been met?	N
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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.	✓	Y
(f) Supervision is effective.	✓	Y

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Period Start	1-Apr-2022	Period End	31-Mar-2023	Date Prepared
				17-Apr-2023

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Internal Control Evaluation Form			
Sales, Debtors and Cash Receipts - Completeness / Classification 2.1			30-270 2.1
Smart Review	0	Unanswered Questions	0

Audit assertion: 2. Completeness / Classification  
Control objective: 2.1 All goods dispatched are invoiced

Key Controls	Control Risk	Planned Reliance	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.	✓	X
(f) Any unmatched and/or missing items are properly cleared.	✓	X
(g) Supervision is effective.	✓	Y

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		Date Prepared	17-Apr-2023

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### Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Completeness / Classification 2.2

30-270 2.2

Smart Review	0	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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			All invoices raised are sequentially numbered	
			Sample check of postings conducted as detailed in GL Impact Statement for each batch of invoices raised	
			All invoices are raised via synergy financial software	
			Finance Officer (Creditors/Debtors) raises invoices and emails invoices to customers, invoices raised not checked by a supervisor or other officer prior to emailing (supporting documentation is only checked to the Debtors Batch Transaction Listing)	
			Finance Officer (Creditors/Debtors) updates debtors invoice batch in synergy financial software	
Sample test 11 credit notes			Finance Officer (Creditors/Debtors) raises credit notes, attaches supporting documentation and states reason	
			Finance Officer (Creditors/Debtors) prepares reconciliation on a monthly basis and MFA reviews by checking that the debtors subsidiary ledger balance agrees to GL control account, monthly balances reconcile in all instances for reconciliations sighted	
			Finance Officer (Creditors/Debtors) undertakes the raising of invoices, debtors control function undertaken in conjunction with MFA	

Weaknesses	Impact on procedures	W/P
Segregation of Duties	Recommended that the MFA or an appropriate officer undertake the role of checking invoices raised to source documentation and debtors batch transaction listing, certify debtors batch transaction listing and authorises posting to GL, 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.	✓	Y
(b) Prior to posting to the general ledger, there is a sequence check of all invoices.	✓	Y
(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.	✓	Y
(f) Supervision is effective.	✓	Y



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Internal Control Evaluation Form			
Sales, Debtors and Cash Receipts - Completeness / Classification 2.3			130-270 2.3
Smart Review	0	Unanswered Questions	0

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
			All stores held for resale are detailed in the Schedule of Fees and Charges (SFC)	
			Sales are made to community groups for gravel, sand and aggregate	
			Private works are costed in accordance with the SFC by the Manager of Works (MOW) by the completion of the Private Works Authorisation Form	
			all material purchases with the exception of diesel fuel ,pipes,cement,guide posts and rubbish bins are expensed and not recorded in stores	

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

T30-270 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.**

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Sample test of daily cash receipting and bank deposit for month of February 2023	
			Banking done twice weekly as Local bank opens 2 days per week	
			Money is received at the following facilities, Admin Centre and Caravan Parks located in Cranbrook and Frankland River and the Frankland River Community Centre. Staff member travels to Frankland River weekly to pickup funds collected to be banked. Funds to be banked and supporting documentation are placed in a sealed bag and delivered to the CSO for receipting at the Admin Centre. An EFTPOS terminal is located at the Frankland River Community Centre for electronic payments	
			Bank reconciliations are prepared and checked monthly, sample check conducted for February 2023, bank reconciliations undertaken by Finance Officer (Bank Recon / Payroll) and reviewed by MFA. The Municipal Fund February 2023 bank reconciliation was out by \$71.64 representing super contributions returned	
			CSO balances daily takings to End of Day Cash Receipting Bank Deposit listing Report which are reviewed by MFA and both sign and CSO files in Daily Receipts File for the month together with with EFTPOS receipts, Receipts By System Report, GL Impact Statement, Receipting Update Report, Cashier Takings Report and copies of receipts and DOT Balance Session Collection Summary	
			CSO prepares bank deposit slip manually and deliver deposits to the bank located in Cranbrook, bank stamps a duplicate copy and issues an electronic receipt which is stapled to the duplicate banking slip that is retained in the deposit book. A deposit slip is prepared daily.	
			System generated receipt issued from Synergy Financial System	

Weaknesses	Impact on procedures	W/P
Bank Reconciliations for the month of February 2023 did not reconcile	The Reconciliation was out by \$71.64 representing refund of super contributions not posted in GL subsequently posted	

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

Control Conditions	Status	Answer
(a) Duties are segregated, particularly as regards recording of amounts receivable and handling of cash receipts.	✓	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

Sales, Debtors and Cash Receipts - Completeness / Classification 2.5

T30-270 2.5

Smart Review	0	Unanswered Questions	0
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Audit assertion:

2. Completeness / Classification

Control objective:

2.5 All cash sales/miscellaneous receipts are accounted for.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Policy 4.4 Investments • A Record of Investment particulars is maintained in accordance with Local Government (Financial Management) Regulations 1996 – Regulation 19; • Approved forms of investment are Term Deposits and Cash Management Funds; • Investments may only be made with the following banking institutions – National Australia Bank, Commonwealth Bank, Westpac Bank, ANZ Bank, Bank West, Rural Bank and Bendigo Bank; • Details of all investments are to be reported to Council each month; • Funds held in the Municipal Fund as restricted cash being "Reserve Funds" and invested in accordance with this policy, shall have all interest earnings in any year allocated to the respective Reserve Account on which the interest was earned; and • Other forms of approved investment include: o Shares in the Tambellup/Cranbrook Bendigo Bank; and o Equity share of Local Government House.			Motor vehicle licencing receipting accounted for and reconciled to DOT Balance Session Collections Summary Report produced from the Trelis software	
			Proceeds sale of plant Supplier's invoice states purchase price and trade-in value ,supplier is paid the net amount and grossed in the GL . Supplier may request the Shire to provide an invoice for the trade in value of the plant	
			Interest received on investments accounted for , Investment Register maintained	
Weaknesses		Impact on procedures		W/P
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			✓	X
(ii) Sales of scrap			✓	Y
(iii) Sales of fixed assets			✓	X
(iv) Sales to employees			✓	Y
(v) Rents.			✓	Y
(e) Supervision is effective.			✓	Y



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

330-300

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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Policy 4.5 in part -Recovery Process – Rates and Sundry Debtors: • All agreements to pay property rates or service charges are to be in writing and that every effort is made to make sufficient payments in order to clear the outstanding debt (including interest) by 30 June of the financial year in which the rates were raised; • Following a rate or debt becoming overdue for payment, the Chief Executive Officer is authorised to issue a final notice for its recovery, allowing 14 days for payment; • The Chief Executive Officer must have regard to the Financial Hardship Policy during the recovery process; • The Chief Executive Officer may establish an agreement with a person as to payment of rates or debts, however subject to the imposition of interest rate policies as resolved in the Council's budget adoption process. In the event of any rates or debt remaining outstanding, the Chief Executive Officer is authorised to provide a "Notice of Intention to Sue" if payment is not made within 14 days; and • At the expiry of the notice of intention to sue, the Chief Executive Officer may initiate action to file a Local Court Summons for recovery of monies owing. The Chief Executive Officer is authorised to take, any further action deemed necessary subsequent to the Local Court Summons depending on the circumstances of each particular claim			The Shire does have a Debt Collection Policy however the processes stated may not be followed it is recommended that the processes be reviewed	
Delegation 1.9 The writing off of rates and sundry debts to the value of \$200.00 where all necessary and appropriate measure have been taken to recover the debt.			Finance Officer (Creditors/Debtors) along with MFA are responsible for collection of outstanding debts	
			Procedures utilised for debt collection are as follows , a statement is issued monthly which serves as a reminder notice , telephone calls are made and in isolated instances a letter may be sent to arrange a repayment plan A review of the monthly trail balance reveals that long outstanding are small .Policy 4.5 is not adhered to. It is recommended that the policy be reviewed and the Shire may consider the utilisation debt collectors for long overdue debts. Debts outstanding be reviewed monthly and actions be documented on the monthly Debtors Aged Trail Balance	
			Debts written off under delegation 1.9 is limited to a maximum of \$200 by the CEO	

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Period Start: 1-Apr-2022	Period End: 31-Mar-2023	Date Prepared: 17-Apr-2023			

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Internal Control Evaluation Form				T30-300
Sales, Debtors and Cash Receipts - Ownership / Proprietary				
Smart Review	0	Unanswered Questions		0
Weaknesses		Impact on procedures	W/P	
Process for the recovery of overdue debts not in accordance with Policy 4.5		It is recommended that the shire review it's collection processes and record action taken.		
Has the control objective been met?				N
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.		✓	N	
(c) Credit notes are sequentially pre-numbered and are approved independently of debtors clerks.		✓	Y	
(d) Discounts are correctly authorised.		✓	Y	
(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.		✓	Y	
(g) Deposit slips have a detailed breakdown of receipts deposited.		✓	Y	
(h) Statements have been checked to reconciled debtors balances, and are independently mailed.		✓	Y	
(i) The write-off of bad debts is correctly authorised and there is satisfactory control over their subsequent recovery.		✓	Y	
(j) Supervision is effective.		✓	Y	

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		Date Prepared	17-Apr-2023

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### Internal Control Evaluation Form

Sales, Debtors and Cash Receipts - Valuation / Measurement 4.1

T30-330 4.1

Smart Review	0	Unanswered Questions	0
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Audit assertion: 4. Valuation / Measurement  
Control objective: 4.1 Invoices are correctly calculated.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Schedule of Fees and Charges	
Sample refer 30 250 1.1			Calculations for private works undertaken by MOW	
			Trade Debtors invoices raised are not checked by independent officer	
			Sample test of invoices raised indicated that the charges were correctly calculated and in accordance with the schedule of fees and charges	

Weaknesses	Impact on procedures	W/P
Segregation of duties	No independent officer checking for correctness of invoices raised for trade debtors Source documentation is checked to the Debtors Batch transaction listing	
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.	✓	Y
(e) Supervision is effective.	✓	Y



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Internal Control Evaluation Form			
Sales, Debtors and Cash Receipts - Valuation / Measurement 4.3			730-330 4.3
Smart Review	0	Unanswered Questions	0

Audit assertion: 4. Valuation / Measurement  
Control objective: 4.3 Overdue accounts are followed up.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Refer			Policy 4.5 in part details the process to be followed for the recovery of outstanding debts. The CEO has authority to write off outstanding amounts upto \$200	
			Procedures utilised for debt collection are as follows , a statement is issued monthly which serves as a reminder notice , telephone calls are made and in isolated instances a letter may be sent to arrange a repayment plan A review of the monthly trail balance reveals that long outstanding are small .Policy 4.5 is not adhered It is recommended that the policy be reviewed and the Shire may consider the utilisation of debt collectors for long overdue debts. Debts outstanding be reviewed monthly and actions be documented on the monthly Debtors Aged Trail Balance	
			Debtors Aged Trail Balance produced monthly	
			Debt Collection Agency not utilised for trade debtors	
			Delegation 1.9 Authority to write off Monies CEO \$200	
			Outstanding amounts are reviewed from time to time	
Weaknesses		Impact on procedures		W/P
Has the control objective been met?				Y
Control Conditions			Status	Answer
(a) Aged trial balances are prepared and reviewed for delinquent accounts.			✓	Y
(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		130-350
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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Debtors invoices raised promptly , test check carried out 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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Regulation 1.4 - Inviting tenders (in part)Tenders must be called for the purchase of all goods over \$250,000 unless WALGA Council Purchasing Services are utilised which removes the requirement to Tender All tenders are to be approved by Council Tender documents must determine in writing the criteria for accepting tenders That tenders are for items approved in the budget			Sample test of Vouchers for the months of April 2022 to March 2023 Total 60 sample tested 6%. Cheques tested 5 all were correctly authorised	
Regulation 1.6 Minor Variations for Tender (in part)The variation costs must be within the budget allocation. Any increased costs will require Council approval			Sample check of signatories for EFT's Invoice Authorisation Stamp requires 3 signatures for received, for payment and data entry, from the sample tested invoices not signed for received 5,for payment NIL, for data entry 5 or 8.3% for both	
Policy 4.8 Purchasing Policy (in part )Purchasing that is \$250,000 or below in total value (excluding GST) must be in accordance with the purchasing requirements under the relevant threshold as defined in this policy under "Purchasing Thresholds". Purchasing that exceeds \$250,000 in total value (excluding GST) must be put to public tender unless a Regulatory Tender Exemption in accordance with Regulation 11 of the Local Government (Functions and General) Regulations 1996 is utilised by the Shire. Purchasing Thresholds: The value, or expected value, of the purchase excluding GST over the full contract period (including options to extend) will determine the purchasing practice to be applied:  Purchase Value Threshold Purchasing Practice Up to and including \$100 Direct purchase from suppliers. Quotations and purchase orders not required for items of minor recurrent nature, such as groceries, stationery, hardware, reticulation, consumables etc. Over \$100 and up to and including \$5,000 Direct purchase from suppliers using a Purchase Order or Corporate Credit Card issued by the Shire of Cranbrook, obtaining at least one (1) verbal or written quotation from a suitable supplier, either from: • The open market; • An existing panel of pre-qualified suppliers administered by the Shire of Cranbrook; or • A pre-qualified supplier on the WALGA Preferred Supply Program or the State Government Common Use Arrangement (CUA)			The sample test also checked for the following whether PO's were attached to the payment remittance advice along with the invoices, request for quotations and other supporting information The test revealed that PO's and Request For Quotations were not attached except for the following instances PO's 1 and Request for Quotation 3	



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Internal Control Evaluation Form		31-250 1.1
Purchases, Creditors and Cash Payments - Existence / Occurrence 1.1		
Smart Review	0	Unanswered Questions 0
<p>Policy 4.8 continued</p> <p>Over \$5,000 and up to and including \$50,000 Obtain at least two (2) verbal or written quotations from suppliers either from: • The open market; • An existing panel of pre-qualified suppliers administered by the Shire of Cranbrook; or • A pre-qualified supplier on the WALGA Preferred Supply Program or the State Government Common Use Arrangement (CUA)</p> <p>Over \$50,000 and up to but not including \$250,000 Obtain at least three (3) written quotations from suppliers containing price and specification of goods and services. The procurement decision is to be based on all value for money considerations in accordance with the definition stated in this policy, either from: • The open market; • An existing panel of pre-qualified suppliers administered by the Shire of Cranbrook; or • A pre-qualified supplier on the WALGA Preferred Supply Program or the State Government Common Use Arrangement (CUA) \$250,000 and Over Conduct a public tender process or WALGA Preferred Supplier / State Government Common Use Agreement. Refer to Council for decision unless prior delegation to the CEO. Emergency Purchases Where no relevant budget allocation is available for an emergency purchasing activity then, in accordance with s.6.8 of the Local Government Act 1995, the President must authorise the necessary budget adjustment prior to the expense being incurred. Emergency purchases are defined as unanticipated and unbudgeted purchases required in response to an emergency situation as provided for in the Local Government Act 1995 and under the Emergency Management Act 2005. In such instances, quotes and tenders are not required to be obtained prior to the purchases being undertaken. Time constraints, administrative omissions and errors do not qualify for definition as an emergency purchase. Instead, every effort must be made to research and anticipate purchasing requirements in advance and to allow sufficient time for planning and scoping proposed purchases and to then obtain quotes or tenders, as applicable.</p> <p>Policy 4.8 continued Purchase of road making materials (fill, roc, gravel, water etc) from a landowner is exempt from the requirement to obtain quotes. Purchase order is required</p>		<p>Other findings from the sample test are as follows 1 no purchase order reference on the invoice for Road Project Management March 2023, 2 Payment to Rachel Anyon for caretaking at Lake Poorarecup \$1,200 January 2023 paid as a contractor supplier has an ABN but the payment is for labour only Unless the Shire can verify that that she is a genuine contractor it may have a superannuation liability of 10.5% plus interest and administration charge pursuant to SGC obligations, 3 Frankland River Cafe \$442.00 April 2022 taxable invoice issued but no GST charged Shire processed the invoice with GST should have been GST free</p> <p>The Creditors Test Sample also checked for the following 1 supplier invoice information checked to the Creditors Batch Transaction Listing in most instances report signed by supervisor but not by the data entry officer, payment to creditor checked to Creditors To Be Paid report, ABA File and Bulk Payment List Bendigo Bank. It is noted the EFT payments require two authorisations, GL postings were checked from the invoice to Creditors Batch Transaction Listing and GL Impact Statement and for GST</p>

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Internal Control Evaluation Form		31-250 1.1
Purchases, Creditors and Cash Payments - Existence / Occurrence 1.1		
Smart Review	0	Unanswered Questions 0
<p>Policy 4.8 continued Quotation is to be obtained and a purchase order is required to be issued except for: • Reimbursement of expenses incurred by a councillor or employee on approved Shire business, where receipts are provided or a statutory declaration is made, e.g. meals or parking fees etc • Non-contracted or non-contestable utilities, e.g. electricity, water, telephone, gas • Regular or statutory expenses of a periodic nature, e.g. rates and taxes, insurance, licences, superannuation, subscriptions etc • Employee / elected member allowances • Other payments as determined by the CEO, examples include but are not limited to: □ Credit card purchases □ Freight companies for delivery fees (below \$500) □ Petty cash purchases □ Fuel card purchases □ Regional Risk Co-ordinator Scheme by Local Government Insurance Services □ Security and on-going alarm monitoring services</p>		<p>Payments to Creditors were test checked to the Bank Statement via Bulk payment entries</p>

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Internal Control Evaluation Form		31-250 1.1
Purchases, Creditors and Cash Payments - Existence / Occurrence 1.1		
Smart Review	0	Unanswered Questions
<p>The following suppliers were asked to quote as per Policy 4.8, Purchasing DATE SUPPLIER NAME CONTACT PHONE/EMAIL VERBAL/WITTEN AMOUNT QUOTED The recommended supplier is</p> <p>Justification Name of Approving Officer:</p> <p>Signed: _____ Date approved: _____</p>		<p>PO's and Request For Quotations were tested separately as they are not attached to Creditors Payments. A test sample of 24 payments revealed that 3 did not comply with the number of quotations required as per the threshold limits stated in Policy 4.8 Purchasing .The sample was also cross checked to Delegation 1.32 Payments from the Municipal and Trust Funds in relation to authorisation all were authorised correctly.</p>
<p>Policy 4.13 Corporate Card (in part)- Corporate Credit Cards will only be issued to the Chief Executive Officer, the Executive Management Team, and the Community Emergency Services Officer who will be fully accountable for all purchasing decisions and the efficient, effective, and proper expenditure of public monies based on achieving value for money. He issue of corporate credit cards and only be approved by the Chief Executive Officer, or in the case the card is for the Chief Executive Officer, approval is provided by the Shire President. Once approved, the application must be signed by the card holder and two (2) signatories to Council's bank accounts.</p> <p>A maximum credit limit of \$10,000 is to be applied to the Chief Executive Officer's corporate credit card.</p> <p>A maximum credit limit of \$5,000 is to be applied to corporate credit cards approved for the Executive Management Team.</p> <p>A maximum credit limit of \$2,000 is to be applied to the Community Emergency Services Officer.</p> <ul style="list-style-type: none"> <li>• Transactions shall be supported by a tax invoice or receipt that includes the date, company ame, address, ABN, amount, and any GST amount included, along with the type and amount of goods purchased.</li> <li>• Where an invoice or receipt is unable to be obtained, the cardholder shall provide a declaration detailing the nature of the expense. Approval of this expense is to be referred to the Chief Executive Officer.</li> <li>• The authorised receipt/tax invoice must be provided to the Finance Officer as soon as practicable after the credit card purchase is made.</li> <li>• The General Ledger/Job Number for allocation of the payment must be quoted on the receipt/tax invoice.</li> <li>• Corporate credit card expenditures are to be reconciled monthly.</li> </ul>		<p>Petty Cash Float \$200 at the Admin office</p>
		Synergy Creditors Procedure Manual is utilised
		BAS statements checked as to lodgement lodged all except for October 2022 on time



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Internal Control Evaluation Form			TS1-250 1.1
Purchases, Creditors and Cash Payments - Existence / Occurrence 1.1			
Smart Review	0	Unanswered Questions	0
Weaknesses	Impact on procedures	W/P	
Authorisation, Certification of invoices	Sample test indicates that in some instances were not correctly authorised and certified as detailed above		
Other	Other findings from the sample test are as follows 1 no purchase order reference on the invoice for Road Project Management March 2023 2 Payment to Rachel Anyon for caretaking at Lake Poorarecup \$1,200 January 2023 paid as a contractor supplier has an ABN but the payment is for labour only Unless the Shire can verify that that she is a genuine contractor it may have a superannuation liability of 10.5% plus interest and administration charge pursuant to SGC obligations,3 Frankland River Cafe \$442.00 April 2022 taxable Invoice issued but no GST charged Shire processed the invoice with GST should have been GST free		
Quotations	3 Payments did not meet the required thresholds for quotations to be obtained in accordance with Policy 4.8 Purchasing Thresholds		

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.	✓	Y	
(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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17-Apr-2023				
<b>Internal Control Evaluation Form</b> <span style="float: right;">T31-250 1.2</span>				
Purchases, Creditors and Cash Payments - Existence / Occurrence 1.2				
<b>Smart Review</b>	0		<b>Unanswered Questions</b>	0
Audit assertion: 1. Existence / Occurrence Control objective: 1.2 All payments made are adequately supported.				
Key Controls	Control Risk	Planned Reliance	Notes	W/P
Sample Check 60 Creditor Payments			Creditors Batch transaction listing are printed, filed and checked to invoices to be paid by Finance Officer (Creditors/Debtors) but report not signed and reviewed by an alternative officer for EFT payments who signs the report	
			Creditors Aged Trail Balance is printed and checked to the Creditors GL Control Account on a monthly basis and signed by Finance Officer and reviewed by Manager Finance and Admin	
			All payments of monies via bulk payments authorised by CEO,MFA,Finance Officer (Payroll) other payment by CEO,MFA,Finance Office (Payroll) Finance Officer (Debtors and Creditors) CDM EFT or other online payment method, must be pre-approved by two authorising officers'. Each payment made must be supported by invoice, receipt or other appropriate documentation	
			Reimbursement Request by the supply of original documentation by the completion of Claim For Reimbursements Form signed by officer requesting reimbursement and Authorising Officer	
The following suppliers were asked to quote as per Policy 4.8, Purchasing DATE SUPPLIER NAME CONTACT PHONE/EMAIL VERBAL/WRITTEN AMOUNT QUOTED The recommended supplier is _____ Justification Name of Approving Officer: _____ Signed: _____ Date approved: _____			Electronic PO are raised for supplies and services utilising the SynergySoft system for the issue of PO's and recording of quotes obtained in accordance with the purchasing policy 4.8 by the completion of Request For Quotation Form which is filed electronically	
			Statements received from creditors are reconciled monthly	
			Invoices are stamped with certification stamp and checked for goods and services received, price and to PO, invoice is referenced to PO and initialled for authorisation for received, payment, and data entry, the Finance Officer (Creditors/Debtors) enters invoices in synergy Remittance Advice attached to invoices for payment	

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Weaknesses		Impact on procedures	
Has the control objective been met?			Y
<b>Control Conditions</b>			
	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.	✓	Y	
(j) Bank reconciliations are prepared regularly.	✓	Y	
(k) Reconciliations are approved by a responsible person.	✓	Y	
(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	0	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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Sample check of invoices conducted for payments made from April 2022 to March 2023, total of 60 or 6% vouchers checked	

Weaknesses	Impact on procedures	W/P

Has the control objective been met? Y

### 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.	✓	Y
(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

131-300 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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Invoices are certified by responsible officers	
			Purchase Orders in all instances are issued except as exempt by the Purchasing Policy and retained electronically and matched to the invoices to be processed for payment	
Weaknesses		Impact on procedures		W/P
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.			✓	Y
(c) Expenditure is maintained against authorised budget.			✓	Y
(d) Supervision is effective.			✓	Y

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Internal Control Evaluation Form		31-300 3.2
Purchases, Creditors and Cash Payments - Ownership / Proprietary 3.2		
Smart Review	0	Unanswered Questions
		0

Audit assertion: 3. Ownership / Proprietary  
Control objective: 3.2 All claims made on suppliers are properly recorded.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Weaknesses		Impact on procedures		W/P
Has the control objective been met?				Y
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			131-330
Smart Review	0	Unanswered Questions	0

Audit assertion: 4. Valuation / Measurement  
Control objective: 4.1 Amounts are correctly recorded and posted to correct accounts.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Sample check of invoices conducted for payments made from April 2022 to March 2023, total of 60 or 6% vouchers checked	
Weaknesses		Impact on procedures		W/P
Has the control objective been met?				Y
Control Conditions		Status	Answer	

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Internal Control Evaluation Form			
Purchases, Creditors and Cash Payments - Cut-Off			131-350
Smart Review	0	Unanswered Questions	0

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

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Sample check undertaken to verify invoices posted in the correct accounting period	
			Monthly analysis is undertaken when financial statements are prepared and reviewed	

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.	✓	N
(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

132-250 1.1

Smart Review	0	Unanswered Questions	0
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Audit assertion: 1. Existence / Occurrence  
Control objective: 1.1 Assets are adequately safeguarded.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			All keys for buildings and facilities kept in lockable cabinet a key register is maintained	
Policy 4.3 (in part) Capitalisation of Assets Assets purchased or constructed to the value of \$5,000 or greater are to be capitalised, placed on the asset register, and depreciated over the useful life as determined by this policy for the relevant class of asset. Any assets with a value under \$5,000, except for land, are to be expensed in the year of purchase and placed on the minor assets register			Accessibility to the depot buildings is restricted. Gates unlocked during working hours but locked at end of day	
Reg 17B of the Financial Management Regulations 1996 requires a local government to take all reasonable steps to protect assets from theft or loss			Surveillance cameras installed for Depot and for Admin Centre and Cranbrook Community Hub security systems installed	
Reg 17A(5) A non-financial asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5 000			Condition Building Maintenance Reports are prepared on annual basis or as when required by Works Supervisor and overseen by Works Manager and Caravan Park Caretakers for buildings and other structures for residential buildings quarterly and on vacating by external Property Manager	
			Insurance policies reviewed annually	
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		32-250 1.2
Property, Plant and Equipment - Existence / Occurrence 1.2		
Smart Review	0	Unanswered Questions
		0

Audit assertion: 1. Existence / Occurrence  
Control objective: 1.1 All assets recorded are adequately supported.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Asset Register is updated monthly for plant and equipment based on Asset Register Reconciliation to the GL Control Accounts and related source documents other assets such as Buildings,Bridges,Roads and Other Infrastructure are not recorded in the Asset Register GL.The variance between the Asset Register and the GL Control Accounts amounted to \$1,510,966.73 as at 28 February 2023	
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			132-270 2.1
Smart Review	0	Unanswered Questions	0

Audit assertion: 2. Completeness / Classification  
Control objective: 2.1 All purchases of assets made in the accounting period are recorded.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			For all assets in GL at the time of acquisition, in Asset Register for plant and equipment at time of acquisition all other asset classes at year end	
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		32-270 2.2	
Property, Plant and Equipment - Completeness / Classification 2.2			
Smart Review	0	Unanswered Questions	0

Audit assertion: 2. Completeness / Classification

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

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Shire utilises Synergy and RAMMs Software Systems to record its fixed assets	
			Asset Register updated monthly for plant and equipment along with associated excel spreadsheets and on an annual basis for buildings and infrastructure assets	

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

132-270 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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Creditors invoices are processed fortnightly and assets are recorded at time of acquisition	
			EFT's and direct debits are promptly recorded and reconciled	
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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<b>Internal Control Evaluation Form</b> <span style="float: right;">T32-300 3.1</span>				
Property, Plant and Equipment - Ownership / Proprietary 3.1				
Smart Review	0	Unanswered Questions		0
Audit assertion:		3. Ownership / Proprietary		
Control objective:		3.1 All purchases of assets are authorised.		
Key Controls	Control Risk	Planned Reliance	Notes	W/P
Sample check of invoices for certification stamp			Policy4.8 - Purchasing Policy	
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		32-300 3.2
Property, Plant and Equipment - Ownership / Proprietary 3.2		
Smart Review	0	Unanswered Questions
		0

Audit assertion: 3. Ownership / Proprietary  
Control objective: 3.2 All disposals of assets are authorised.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			As detailed in Annual Budget or with Council approval, Finance Officer (Payroll) updates the fixed asset register and checked by MFA	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
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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

32-330

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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Policy 4.3 (in part) Valuation of Assets Assets are to be recognised in accordance with AASB 116 and the Local Government (Financial Management) Regulations 1996 and will be recorded at fair value in accordance with AASB 13. Assets not required to be recognised at fair value are to be recorded at historical cost, or where previously recognised at fair value prior to changes in the regulatory environment are to be recognised under the previous valuation method, until disposed of.			Capitalisation threshold is \$5000 in accordance with Reg 17A(5) of the Financial Management Regulations 1996	
Policy 4.3 (in part) Depreciation of Assets Non-current assets are depreciated on a straight-line basis over the individual asset's useful life from the date of acquisition or, in respect of internally constructed assets, from the time the asset is completed and held ready for use. Asset residual values and useful lives are reviewed and adjusted if appropriate at the end of each reporting period, also having consideration for external factors that may affect residual value such as those seen during the Covid-19 pandemic, environmental disasters, or international armed conflicts. Major depreciation periods are: Land Not Depreciated Buildings 30 - 60 years Furniture and Equipment 3 - 15 years Plant and Equipment 1 - 15 years Infrastructure Sealed Roads - Formation Not Depreciated - Pavement 45 - 55 years - Bituminous Seal 20 - 25 years - Asphalt Surface 25 - 30 years Shire of Cranbrook Policy Manual - Reviewed April 2022 178 Gravel Roads - Formation Not Depreciated - Pavement 20 - 40 years Formed Roads (Unsealed) - Formation Not Depreciated - Pavement 20 - 40 years Footpaths 25 - 45 years Landfill Sites - Make good costs 7 - 30 years			Sample check of Creditor Batch Transaction listing for amounts recorded and GL accounts	
Policy 4.3 (in part) Capitalisation of Assets Assets purchased or constructed to the value of \$5,000 or greater are to be capitalised, placed on the asset register, and depreciated over the useful life as determined by this policy for the relevant class of asset. Any assets with a value under \$5,000, except for land, are to be expensed in the year of purchase and placed on the minor assets register			Fixed Asset Register is updated monthly for plant and equipment and on an annual basis for buildings and infrastructure assets	
Fixed Asset Register Summary and associated excel worksheets checked as at 28/02/2023			Revaluations are undertaken in accordance with Regulation 17A(4)(b) every 5 years from the last revaluation	
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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Property, Plant and Equipment - Cut-Off				
132-350				
Smart Review	0		Unanswered Questions	0
Audit assertion: 5. Cut-Off				
Control objective: 5.1 Transactions are recorded in the correct accounting period.				
Key Controls		Control Risk	Planned Reliance	Notes
Refer to 31-350				Creditors are paid promptly and transaction recorded in the correct accounting period
Weaknesses		Impact on procedures		W/P
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			
Smart Review	0	Unanswered Questions	0

Audit assertion: 1. Existence / Occurrence  
Control objective: 1.1 Stocks and work-in-progress are adequately safeguarded.

Key Controls	Control Risk	Planned Reliance	Notes	WIP
Policy 4.8 - Purchasing Policy issue of fuel cards			The Shire maintains fuel bowsers at the depot 2 for diesel and 1 for unleaded petrol (not used) unleaded petrol is obtained from the Mount Barker Co- Op Depot via fuel cards 3 mobile tanks are used to supply diesel to plant on location Manual system is maintained for the issue of diesel fuel by the completion of Fuel Log Sheets and Tanker Fuel Log Sheets Information recorded date,time,plant number, meter reading from and to ,litres taken ,km's,employee name and initial	
Policy 4.15 -Fire Brigade Fuel Cards			Monthly stock take is undertaken for Materials and fuel by the completion of materials and fuel sheet information recorded type of materials and fuel comprising of plastic pipes, metal pipes culvert headwalls cement metal sign posts wooden guide posts rubbish bins and diesel	
			Monthly materials issue sheets are completed information recorded date materials issued quantity job number employee name signature	
			All materials and fuel purchased are recorded into stock and allocated to jobs and plant on a monthly basis via general journal calculation is based on Allocation Quantities x the average price. For unleaded fuel invoices are posted direct to plant or expensed Physical checks are undertaken for diesel fuel via DIP of Bowsers and Tankers and recorded for month end. General Journal Batch Transactions Listing is printed,checked and posted in Synergy A GL Impact Statement is printed and all reports and supporting documentation is filed in Materials and Fuel File It is noted that for January 2023 the diesel fuel average price was calculated using the GST inclusive price Mount Barker Co-op invoice no. BF11759 for 7500 litres GST inclusive price \$14685 and GST exclusive price \$13350 \$14685 was used to calculate the average price A further check for the month of October 2022 revealed that the GST inclusive cost was used \$33099 instead of \$30090	
			Physical stock readings are undertaken as above	
			Synergy Sock procedures utilised	
Weaknesses	Impact on procedures			WIP
Incorrect average diesel price calculation	For the months of October 2022 and January 2023 the average price was calculated by utilising the GST inclusive price thus over stating the fuel issued and expensed			

Has the control objective been met? N

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.	✓	Y
(g) Stocks held by third parties are properly controlled.	✓	X
(h) Supervision is effective.	✓	Y

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### Internal Control Evaluation Form

Inventories and Cost of Sales - Existence / Occurrence 1.2

133-250 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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Monthly Stocks takes are undertaken for Materials and Fuels and reconciled to GL control accounts	
			Bowers Fuel Tanks and Tankers are regularly measured via Dip	
Weaknesses		Impact on procedures		W/P
Discrepancy in value of fuel on hand		resulting from the wrong fuel price used for the month tested October 2022 and January 2023		

Has the control objective been met? N

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

T33-270

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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Fuel issues and purchases are properly recorded	
			Reconciliation undertaken as at 31 January 2023	
Weaknesses		Impact on procedures		W/P
Has the control objective been met?				Y

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			
T33-300			
Smart Review	0	Unanswered Questions	0

Audit assertion: 3. Ownership / Proprietary  
Control objective: 3.1 All stock included in inventories or sold is owned by the client.

Key Controls	Control Risk	Planned Reliance	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

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

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Diesel average price calculated by for October 2022 and January 2023 was calculated using the GST inclusive price	

Weaknesses	Impact on procedures	W/P
Incorrect calculation of monthly fuel allocation	Over allocation of diesel fuel stocks resulting from incorrect average price used for October 2022 and January 2023	

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.	✓	Y
(d) Inventory sheets are properly approved.	✓	N
(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.	✓	N
(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.	✓	Y



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Internal Control Evaluation Form		T33-330 4.2	
Inventories and Cost of Sales - Valuation / Measurement 4.2			
Smart Review	0	Unanswered Questions	0

Audit assertion: 4. Valuation / Measurement  
Control objective: 4.2 Provisions are made where necessary to prevent over-valuation of inventories.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			The value for materials and fuel on hand is calculated based on the average price calculated on a monthly basis	
			Diesel average price calculated for October 2022 and January 2023 was calculated using the GST inclusive price	
Weaknesses			Impact on procedures	W/P
Incorrect calculation of monthly fuel allocation		Over allocation of diesel fuel stocks resulting from incorrect average price used for October 2022 and January 2023		
Has the control objective been met?				N

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		133-350
Smart Review	0	Unanswered Questions	0	

Audit assertion: 5. Cut-Off  
Control objective: 5.1 All stocks purchased and/or sold are recorded in the correct accounting period.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Purchases and Issues and adjustments to stock on hand are expensed in the same financial year	
			Stock reconciliation undertaken monthly and adjustments made	
Weaknesses		Impact on procedures		W/P
Has the control objective been met?				Y
Control Conditions			Status	Answer
Refer to Sales, debtors and cash receipts (130-250 and following) and Purchases, creditors and cash payments (131-250 and following), general internal control evaluations			✓	Y

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Internal Control Evaluation Form		34-230 1.1
Cash and Bank - Existence / Occurrence 1.1		
Unaudited Review	0	Unanswered Questions 0

Audit assertion:

1. Existence / Occurrence

Control objective:

1.1 Recorded cash funds exist.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
A petty cash voucher receipt must be completed before any cash is paid out of the petty cash float. All petty cash voucher receipts must be approved for payment by Manager Finance & Administration or Finance Officer. All petty cash vouchers must be supported by a supplier invoice or receipt to justify the expenditure. The petty cash float is to be reconciled monthly. This is the responsibility of the Petty Cash Custodian. All petty cash expenditure must be entered into the financial system once reconciled. <b>Petty Cash Float</b> Reimbursement of the petty cash float will be authorised by the Manager Finance & Administration. The balance of monies and vouchers must equal the petty cash float before reimbursement.			Finance Officer is responsible for petty cash reimbursements to staff at the Administration Centre. MFA certifies	
The Shire has one petty cash float of \$200. The petty cash float shall be locked in the safe in the Administration building			Petty Cash Float- \$200	
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.			Cash takings are stored in locked cash boxes. Cranbrook caravan park takings are held by caretaker and are reconciled weekly. Frankland River CRC and caravan park takings are held by CRC Manager and reconciled 1-2 times per week.	
Policy 4.4 Investments in part to comprise of Term Deposits or Cash management Funds with the following institutions NAB,CBA,Westpac,ANZ, Rural Bank and Bendigo			Cash floats are as follows: Front Counter \$200, Petty Cash \$200, Frankland River Caravan Park \$100, Cranbrook Caravan Park \$150. Checked floats and they agree to the GL balance.	
Delegation 1.30 Investments to CEO must be in accordance with Policy 4.4			Frankland River Caravan Park -Prior to collection, cash and cheque takings and all receipts, including EFTPOS receipts, are placed in the Red Bag and sealed with a security zip tie. The Red Bag is collected from the CRC at least once per week by a Shire employee.	
			Frankland River Caravan Park -Shire Employee delivers the Red Bag to the Finance Officer who receipts the takings into Synergy, undertakes the bank reconciliation process and files the receipts in the bank reconciliation file and deposits the funds at the bank.	
			Frankland River Caravan Park -Cash is emptied from the washing machine and dryer on an ad-hoc basis (every 2-3 months), recorded in the manual receipt book and stored in the cash box. It was noted that the cleaners have access to the coin box on the machines and reuse the coins to launder the liners from the chalets at the Frankland River caravan park.	
			Cranbrook Caravan park -The caretaker is responsible for a cash float of \$150. Caretaker receives cash, cheque and EFTPOS payments from patrons utilising the camping facilities; fund received are recorded in the online RMS booking software. Receipts are printed out and handed to patrons, upon request, from the RMS system.	
			Cranbrook Caravan Park -Cash is emptied from the washing machine and dryer each week, recorded in the RMS system and stored in the cash box.	
			Cranbrook Caravan Park -EFTPOS payments are recorded in the RMS system and a copy is emailed to the Finance Officer	
			Money collected at the Shire's administration centre is banked Monday and Wednesdays at the local Bendigo Bank agency.	
			The Shire has the following bank accounts: Municipal Fund Operating Account, Easy Saver Saving Account, Reserve Easy Saver Saving Account, And Reserve Term Deposits	

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Internal Control Evaluation Form		IP4-250 1.1	
Cash and Bank - Existence / Occurrence 1.1			
<a href="#">Return to Review</a>	0	Unanswered Questions	0

Weaknesses	Impact on procedures	W/P

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

Comments



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Internal Control Evaluation Form		34-250 1.2	
Cash and Bank - Existence / Occurrence 1.2			
Smart Review	0	Unanswered Questions	0

Audit assertion: 1. Existence / Occurrence  
Control objective: 1.2 Recorded bank accounts exist.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Opening Bank Accounts any new bank accounts to be opened for the Shire must have the authorisation of the Chief Executive Officer	M	M	The Shire has the following bank accounts Municipal Fund Operating Account, Easy Saver Saving Account, Reserve Easy Saver Saving Account. And Reserve Term Deposits	
Delegation 1.32 Payments from Municipal and Trust Funds to CEO	M	M	Bank Reconciliations are prepared monthly sample check performed	
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			134-250 1.3
Smart Review	0	Unanswered Questions	0

Audit assertion: 1. Existence / Occurrence  
Control objective: 1.3 All payments made from cash funds are properly supported.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Refer to 31-250 1.1				

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
Audit assertion: 1. Existence / Occurrence			
Control objective: 1.4 All payments from bank accounts for goods and services are properly supported.			
Key Controls	Control Risk	Planned Reliance	Notes
Refer to 31 - 250 1.1			
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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Internal Control Evaluation Form			
Cash and Bank - Completeness / Classification			¶34-270
Smart Review	0	Unanswered Questions	0

Audit assertion: 2. Completeness / Classification  
Control objective: 2.1 All cash remittances received are deposited.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Refer to Sales, debtors and cash receipt's internal control evaluation (¶30-270 2.4)				
Weaknesses		Impact on procedures		W/P
Has the control objective been met?				Y
Control Conditions			Status	Answer
Refer to Sales, debtors and cash receipt's internal control evaluation (¶30-270 2.4)			✓	Y

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Internal Control Evaluation Form			
Cash and Bank - Ownership / Proprietary			134-300
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.	
Key Controls	Control Risk	Planned Reliance	Notes
refer 34-250 12			
Weaknesses		Impact on procedures	
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

Audit assertion: 4. Valuation / Measurement  
Control objective: 4.1 Bank accounts are correctly stated in the accounts.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Refer 34- 250 1.2				
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

Audit assertion: 5. Cut-Off  
Control objective: 5.1 Cash and bank transactions are recorded in the correct accounting period.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Refer to 34-250 12				

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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Pay rates in Agreements checked to Pay run ending 08/02/2023.			Employees are paid in accordance with the Works Staff Collective Agreement 2019 and Administration Collective Agreement 2017.	
			Council Policies 2.8 - Management of Annual and Long Service, 2.11 - Salary Sacrificing, 2.12 - Housing Employees, 2.15 - Employee Relocation expenses, 2.21 - Employee Superannuation.	
Net pay amounts from pay report on 08/02/2023 matched to payment made via Bendigo E-Banking.			Payment of salaries and wages via direct debits from Bendigo Bank Online Banking	
Checked personnel files held in locked cabinet in Payroll officer office. Verified sample personnel files with			Employees have individual personnel files that are stored in the locked filing cabinet in records office.	
Sample Payroll tested for Fortnight ending 08/02/2023.			DCEO authorises admin staff fortnightly timesheets (CSO, FO x 3), CEO authorises CDM, EO and RO fortnightly timesheets, CDM authorises CDO timesheet, Works Supervisor and Manager of Works authorise daily timecards of outside staff including cleaners. DCEO authorises any employee termination payments - calculated and entered manually.	
Certified timecards and timesheets. Payslip report, Payroll Employee History Detail Report, Compare Gross Pays to Last Time Report, Allowances and Deductions Report, Superannuation Contribution Report, Payroll General Ledger Reconciliation Report, Payroll Employee Net Listing Report, Payroll Bank Transfer Listing Report, Coinage Analysis Report, Bulk Payment Listing Report.			Inside staff complete fortnightly timesheets and outside staff complete daily timecards. CSO compiles weekly timesheet checklist and enters daily time cards into Synergy. FO - Payroll prints out labour hours report and checks timecards to report. MFA reviews and certifies Labour hours report. FO applies and updates timecards. FO creates weekly workfile for all staff and processes any variations/adjustments. FO prints and checks Prior to Pay Run report. MFA checks and certifies prior to pay run report. FO finalises pay run and generates various payroll reports from Synergy. FO gives coinage analysis report and print of aba file to MFA. MFA loads ABA File to Bendigo and completes 1st authorisation for payment; CEO completes 2nd authorisations. Bulk authorisation report printed. FO emails payslips to employees. FO updates batches in Synergy and reconciles payroll costing and uploads payroll for ATO STP.	

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### Internal Control Evaluation Form

Payroll - Existence / Occurrence 1.1

136-250 1.1

<a href="#">Smart Review</a>	0	Unanswered Questions	0
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Audit assertion: 1. Existence / Occurrence

Control objective: 1.1 Adequate security and authorisation over payroll transactions.

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	✓	X
(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.	✓	X
(f) Advances of pay are authorised.	✓	Y
(g) There is adequate security over the handling and distribution of payroll.	✓	Y
(h) Supervision is effective.	✓	Y

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### Internal Control Evaluation Form

136-250 1.2

Payroll - Existence / Occurrence 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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Verified and signed fortnightly payroll report			Fortnightly payroll reviewed by MFA prior to finalisation of pay. MFA certifies and signs and dates Payroll Coinage Analysis Report and aba file report.	
			Daily timecards and fortnightly timesheets are reviewed and approved by relevant supervisor. Any discrepancies in hours on timecards are returned to Supervisor for correction.	
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

136-250 1.3

<a href="#">Smart Review</a>	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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Daily timecards and fortnightly timesheets are reviewed and approved by relevant supervisor. Any discrepancies in hours on timecards are returned to Supervisor for correction.	

Weaknesses	Impact on procedures	W/P

Has the control objective been met?	Y
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### Internal Control Evaluation Form

Payroll - Completeness / Classification

136-270

Smart Review	0	Unanswered Questions	0
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*Audit assertion:*

2. Completeness / Classification

*Control objective:*

2.1 Recorded payroll transactions are correctly summarised and posted.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
			Gross pay report for Year matched to GL Gross Salaries Account for 30 June 2022. STP report matches Individual Non-Business Payment Report.	

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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### 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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Works Supervisor and Manager of Works review daily timecards from outside workers. MFA reviews admin fortnightly timesheets, CEO reviews EO, RO, CDM fortnightly timesheets.			Outside employees complete daily timecards and administration staff complete fortnightly timesheets. Reviewed by relevant Supervisor and approved.	
Letter of authorisation			Rates of pay changes are notified by letter to the employee, whether from collective agreement increase or performance review approved by CEO. Letter of pay rate change kept on personnel file.	
Certified Termination calculation worksheet			Termination payments are calculated manually and verified by MFA prior to entry into Payroll.	

Weaknesses	Impact on procedures	W/P

Has the control objective been met? Y

Control Conditions	Status	Answer
(a) Written authorisation is obtained for:		
(i) rates of pay	✓	Y
(ii) variations in rates of pay	✓	Y
(iii) bonuses	✓	X
(iv) payments for annual, long service and sick leave	✓	Y
(v) termination of employment	✓	Y
(vi) Overtime worked	✓	Y
(vii) Pay in advance	✓	X

## Audit Workpapers Plus

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### Client Details

Client Name	Shire of Cranbrook	Preparer	Dominic Carbone
Client Code		Reviewer	
Period Start	1-Apr-2022	Period End	31-Mar-2023
		Date Prepared	17-Apr-2023

[Goto CoverSheet](#)

[Goto CheckList](#)

### Internal Control Evaluation Form

Payroll - Valuation / Measurement

136-330

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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Sample check for Payroll ended 08/02/2023			As per Outside Workers Collective Agreement 2019 and the Administration staff Collective Agreement 2017 and employee contracts and ATO withholding tax rates	
Labour and plant hours report to check outside employees have correct hours for fortnight by payroll officer and MFA. Payroll variations report checked to make sure administration staff have correct hours.			Daily timecards completed by outside employees. Fortnightly timesheets completed by inside employees. Labour hours report used to check timecard entries against. Timesheet hours check against Payroll Employee History Detail Report.	
Payroll Bank Transfer Listing Report and Coinage Analysis Report- checked for pay run 08/02/2023 to Bulk Transfer Report from Bank.			MFA reviews and verifies Coinage Analyses Report, Payroll Bank Transfer Listing Report and aba file report, and payroll Employee History Report and Compare Gross Pays to Last Time report for each employee, checking allowances and deductions for pay run.	

Weaknesses	Impact on procedures	W/P

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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### Client Details

Client Name	Shire of Cranbrook	Preparer	Dominic Carbone
Client Code		Reviewer	
Period Start	1-Apr-2022	Period End	31-Mar-2023
		Date Prepared	17-Apr-2023

[Goto CoverSheet](#)

[Goto CheckList](#)

### Internal Control Evaluation Form

Payroll - Cut-Off

T36-350

<a href="#">Smart Review</a>	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.

Key Controls	Control Risk	Planned Reliance	Notes	W/P
Works Supervisor and Manager of Works review daily timecards from outside workers. MFA reviews admin fortnightly timesheets, CEO reviews EO, RO, CDM fortnightly timesheets.			Outside employees complete daily timecards and administration staff complete fortnightly timesheets. Reviewed by relevant Supervisor and approved.	
Certified Coinage Analysis Report, aba file listing report, Bulk Payments Listing Report.			Fortnightly pay run is completed and posted on day of payroll processing	
Certified Monthly Payroll Reconciliation			Payroll reconciliation is not performed monthly and verified to GL.	
Annual STP Reconciliation			End of year STP report not yet provided. Waiting on provision of report, if possible.	

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.	✓	N
(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**  
**FUEL STOCK**



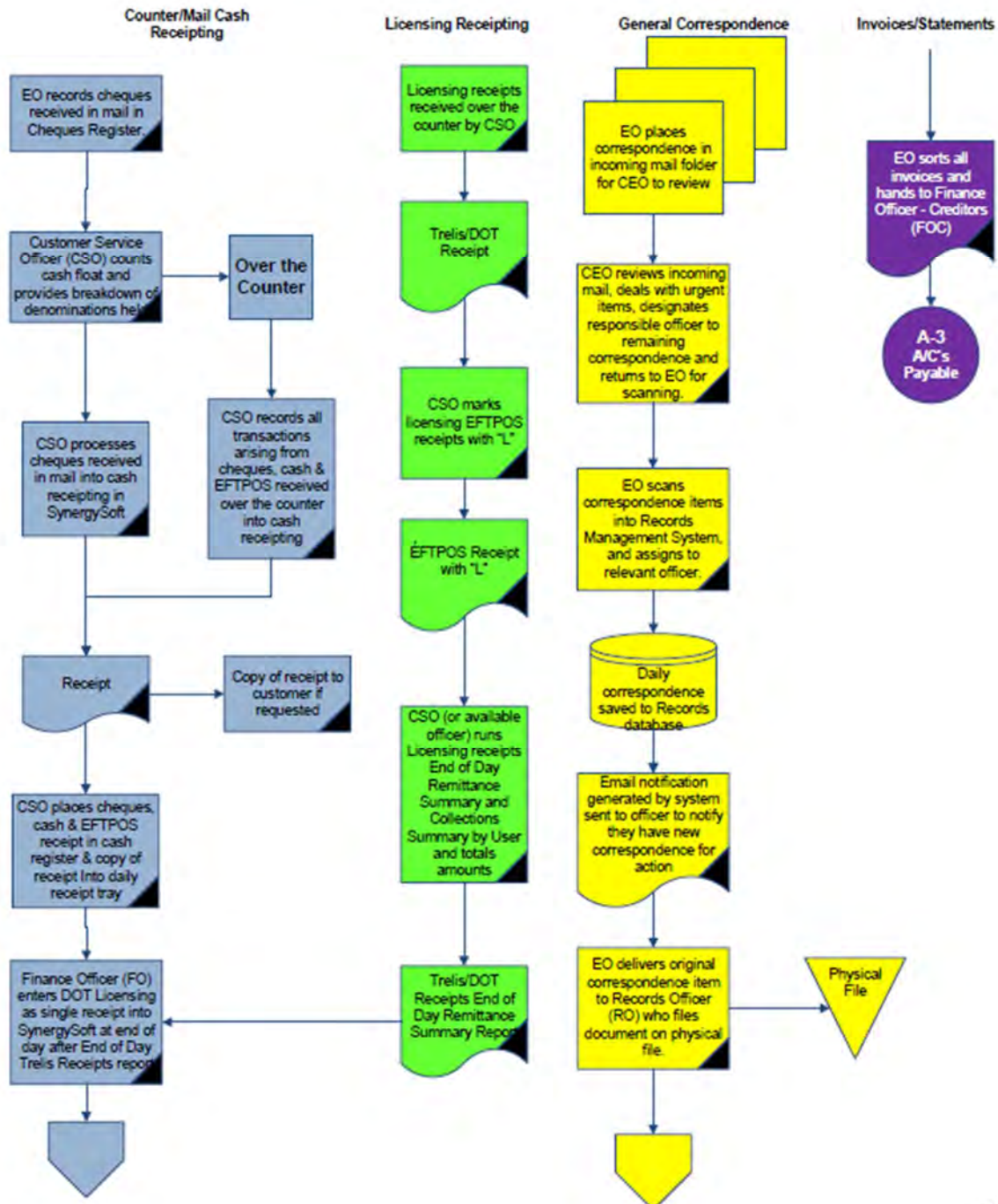
# SHIRE OF CRANBROOK

Mail/Cashiering

Flowchart

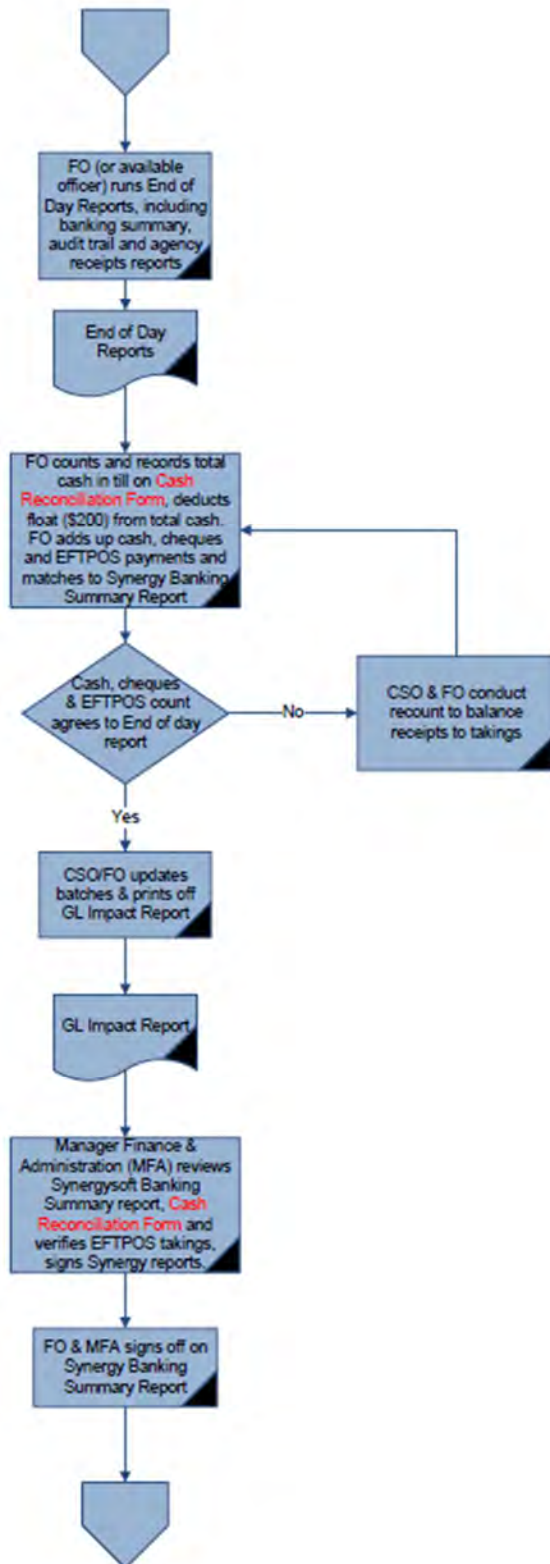
31/05/2023

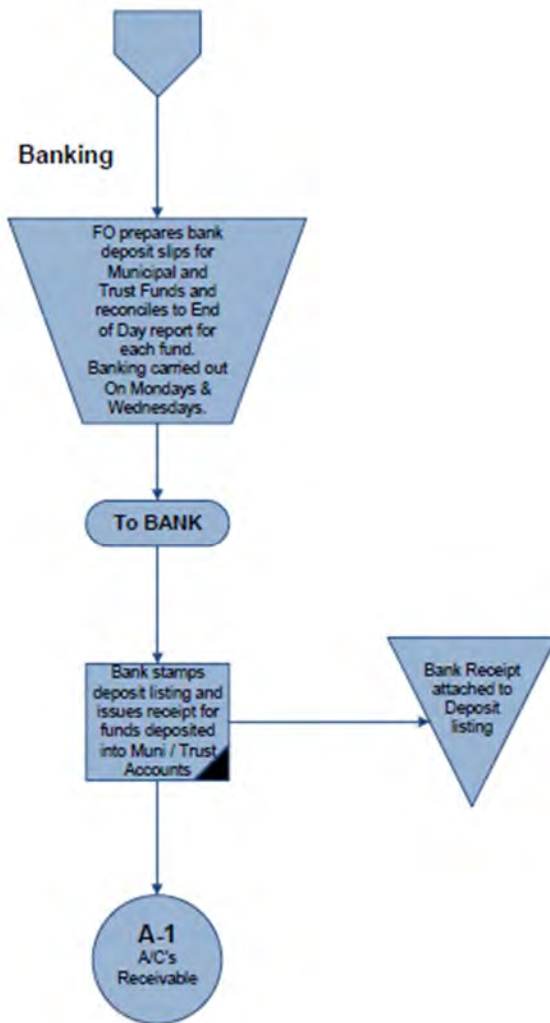
Executive Officer (EO) collects mail from post office. EO Opens and sorts all incoming correspondence into the categories listed below and records in Central Records. All items of correspondence, including cheques and supplier invoices, are date stamped upon receipt. Cheques are recorded in Cheques register.



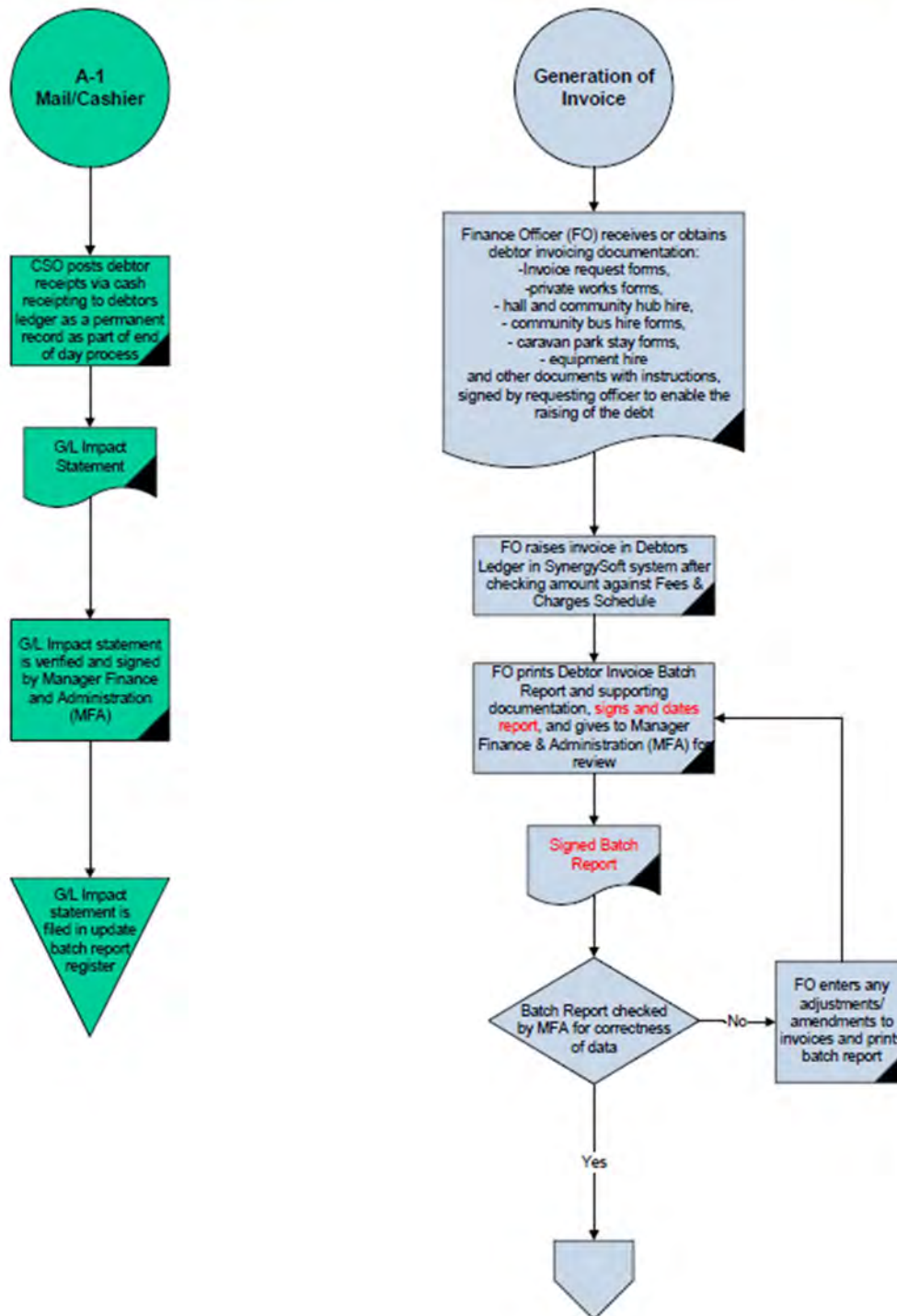
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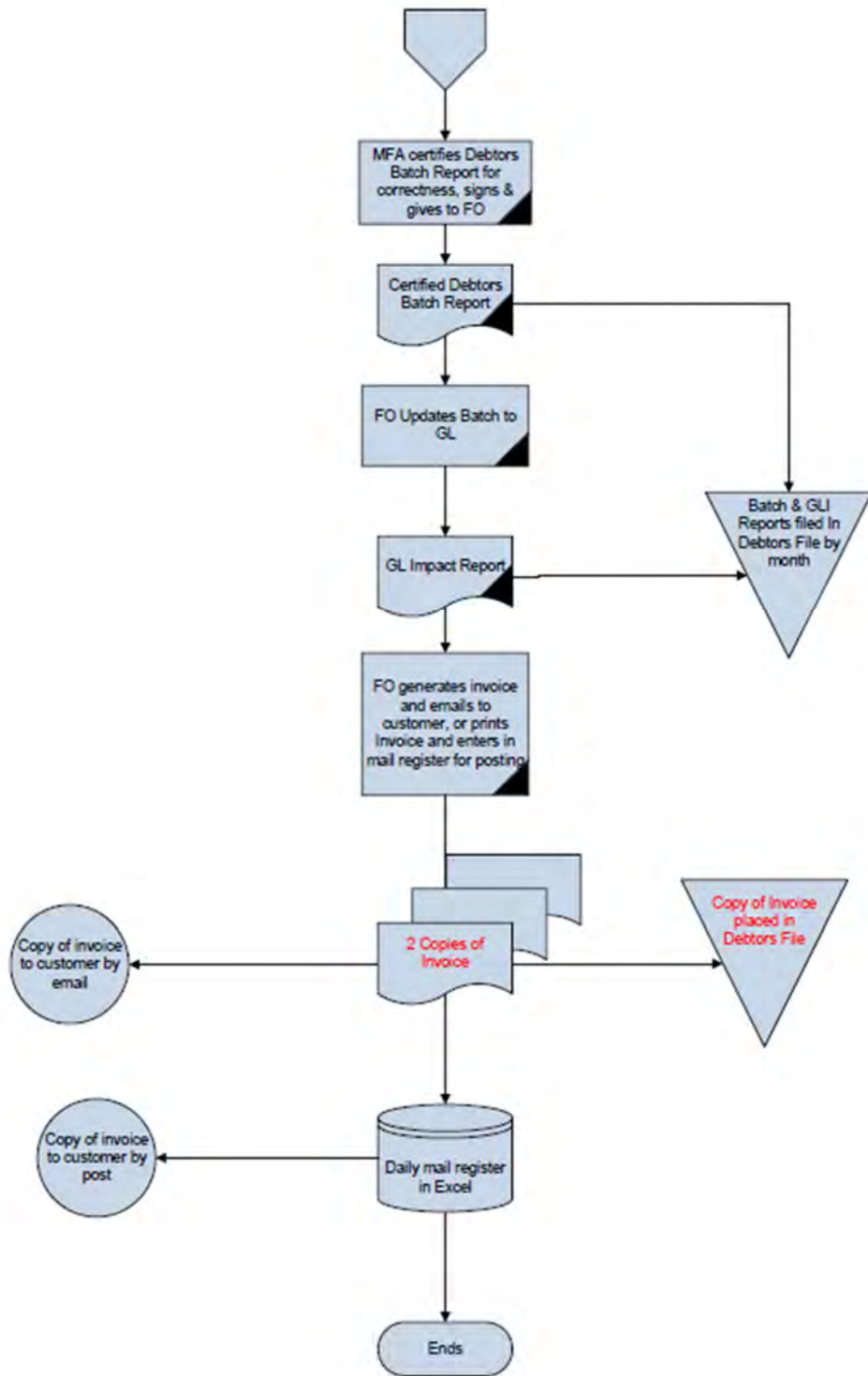




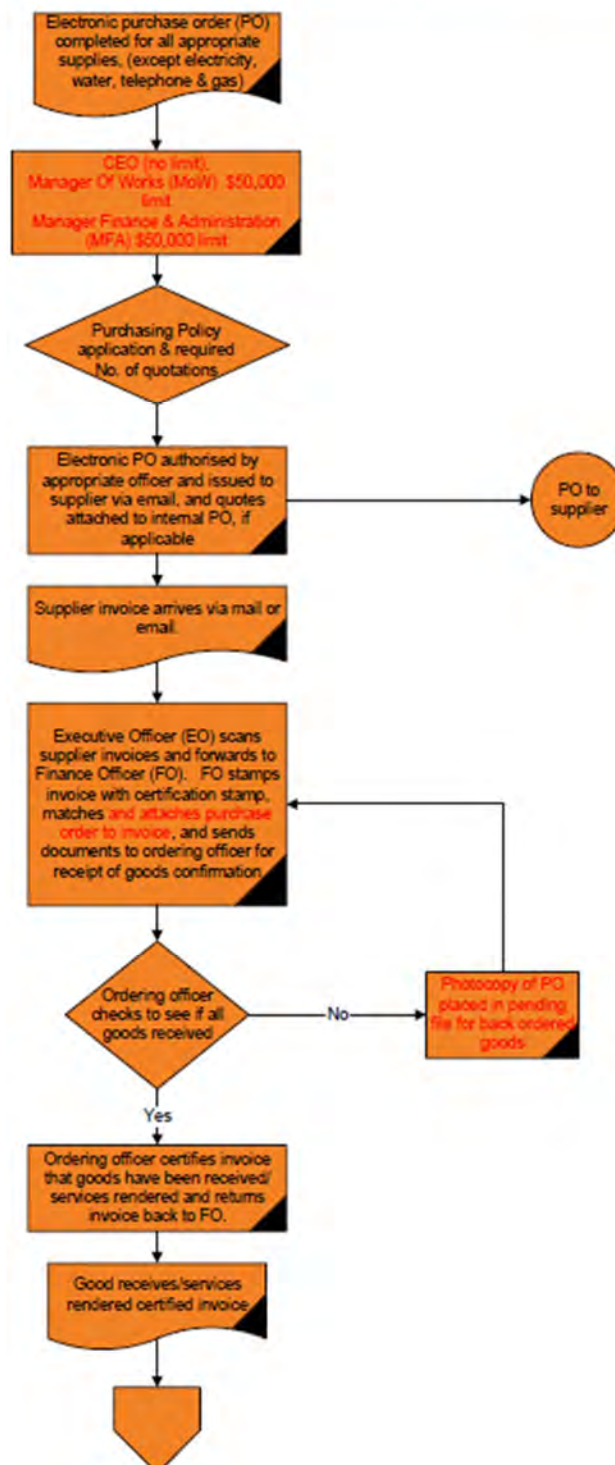


SHIRE OF CRANBROOK		
Accounts Receivable	Flowchart	31/05/2023

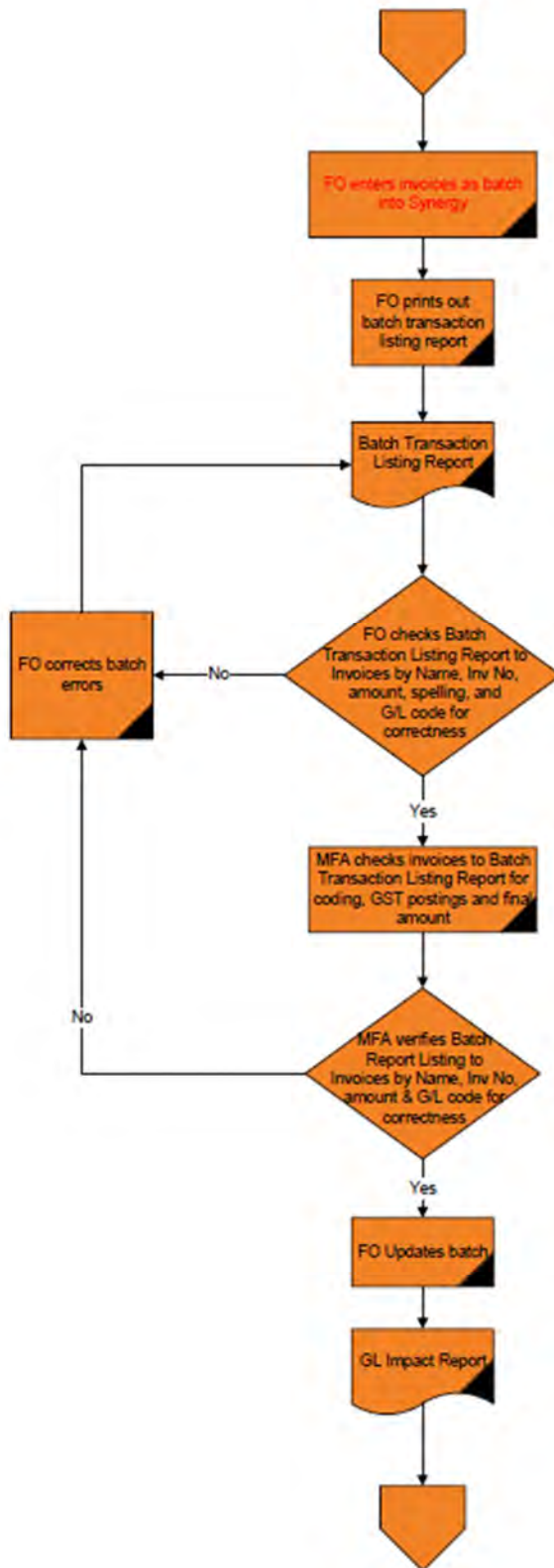


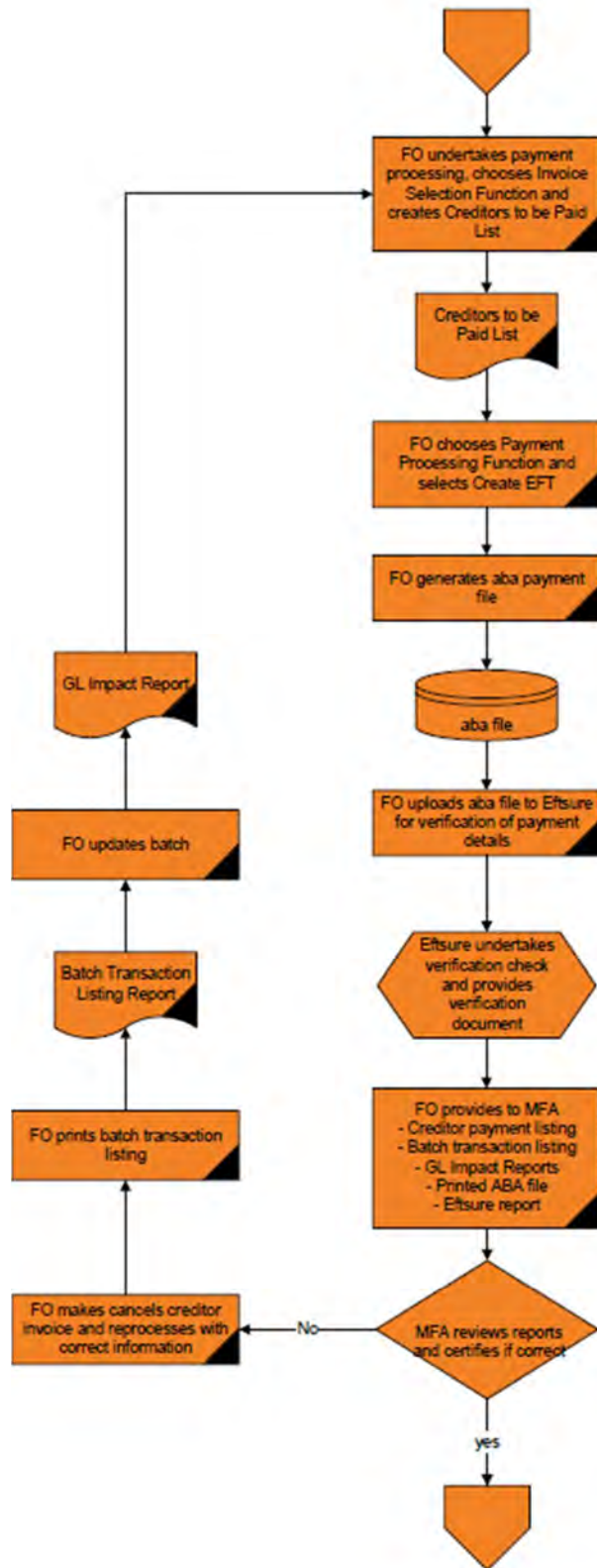


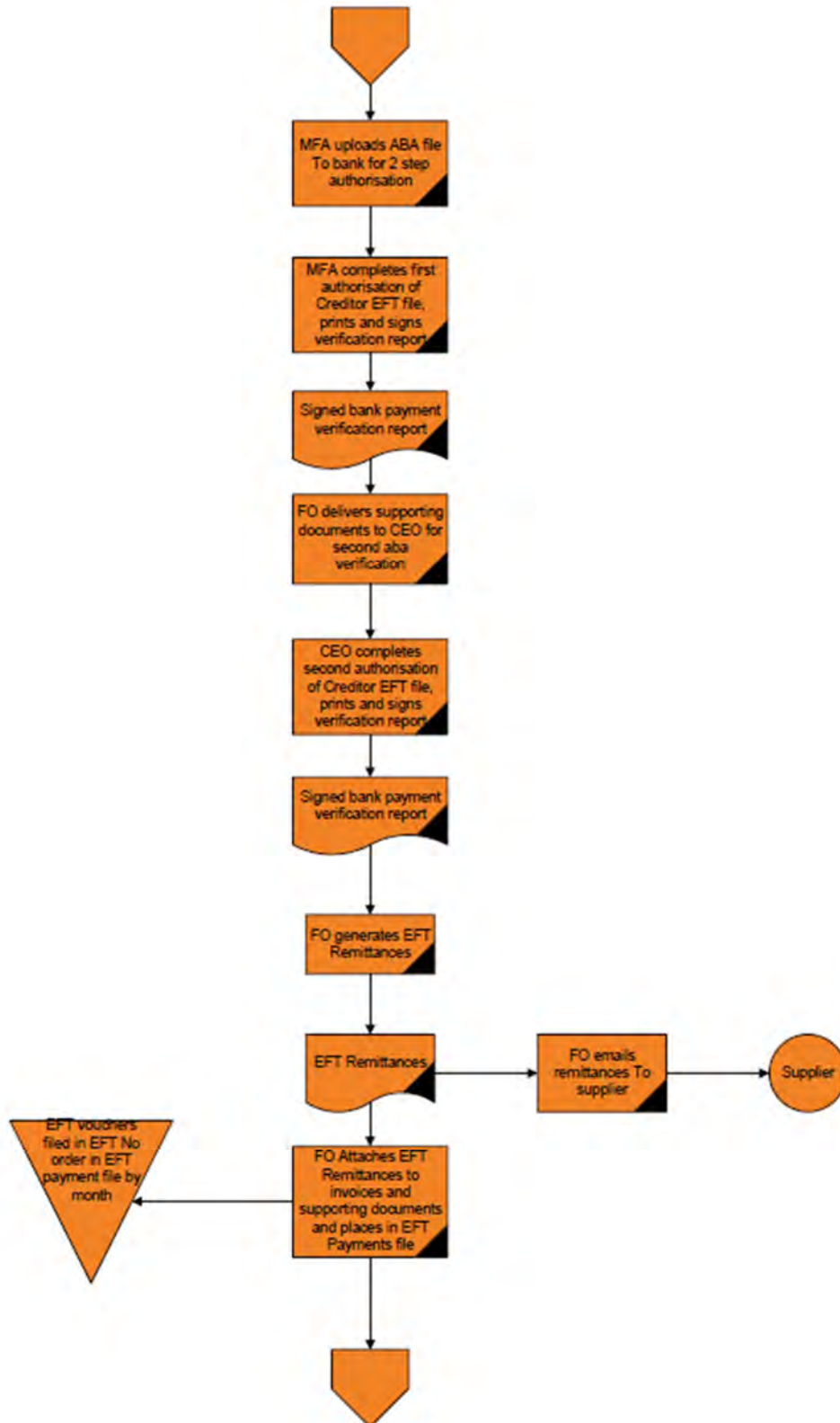
SHIRE OF CRANBROOK		
Accounts Payable Flowchart		31/05/2023





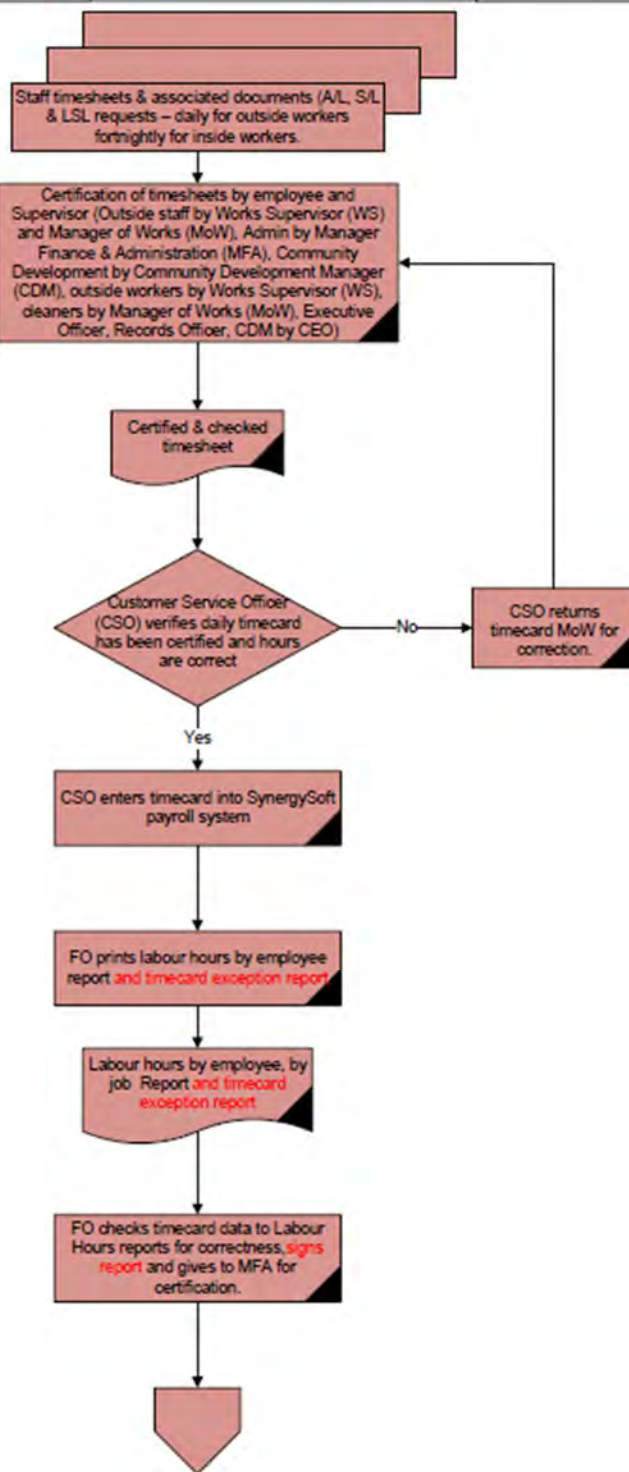




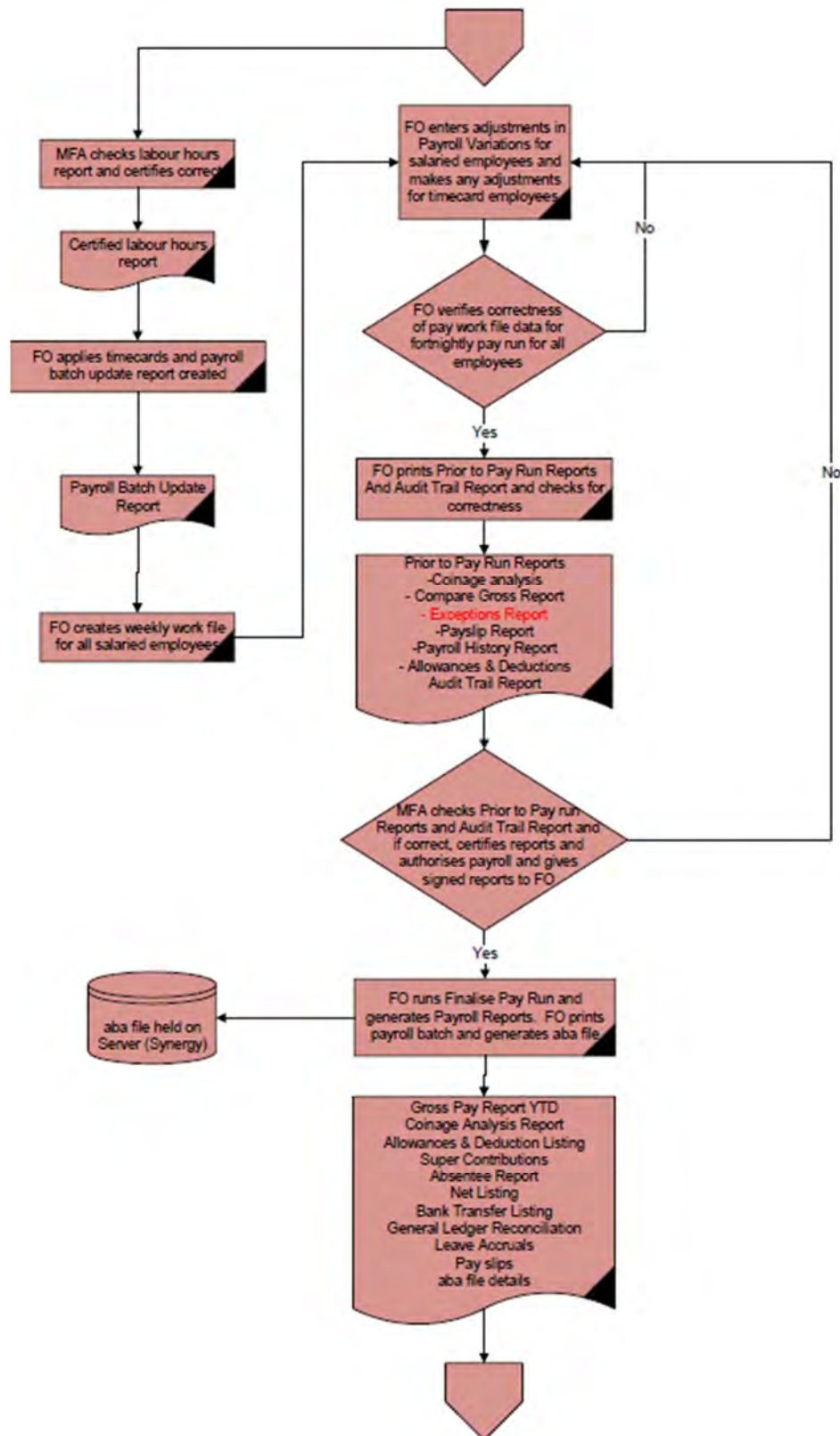


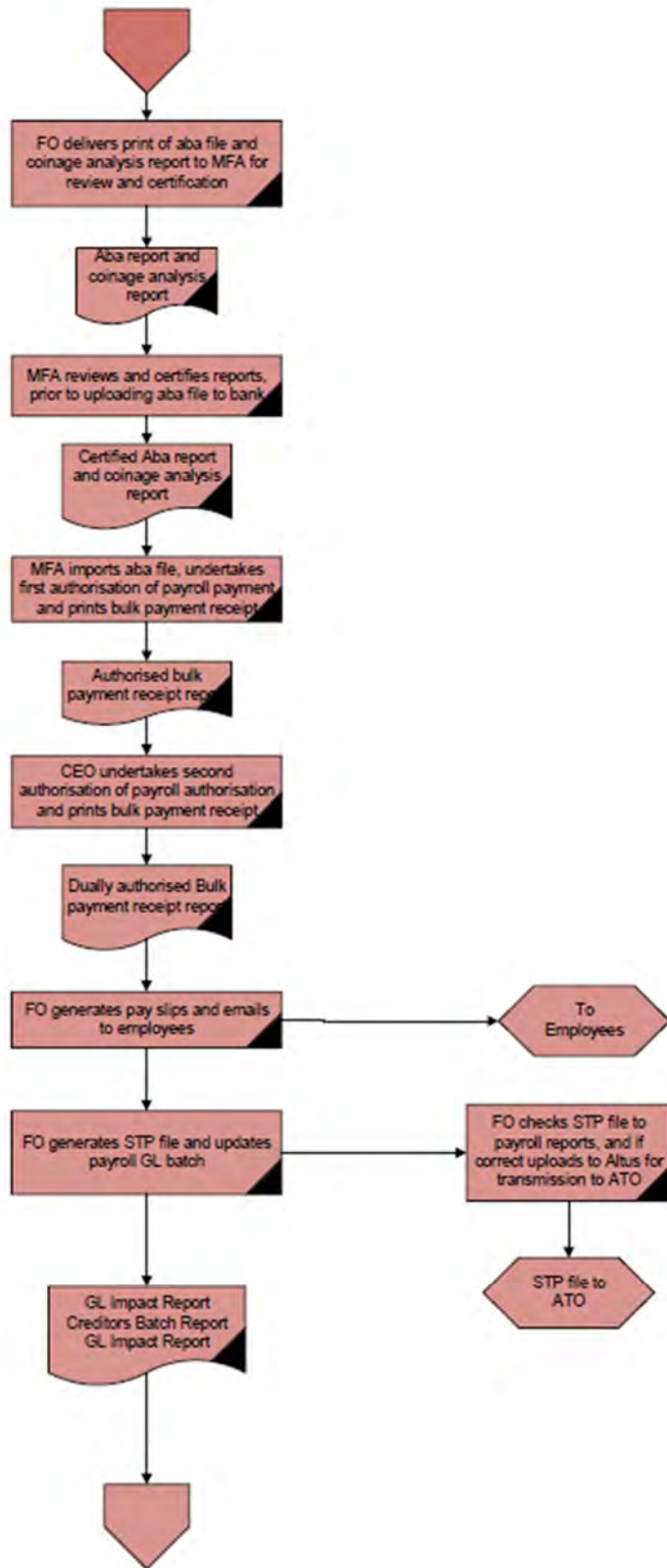


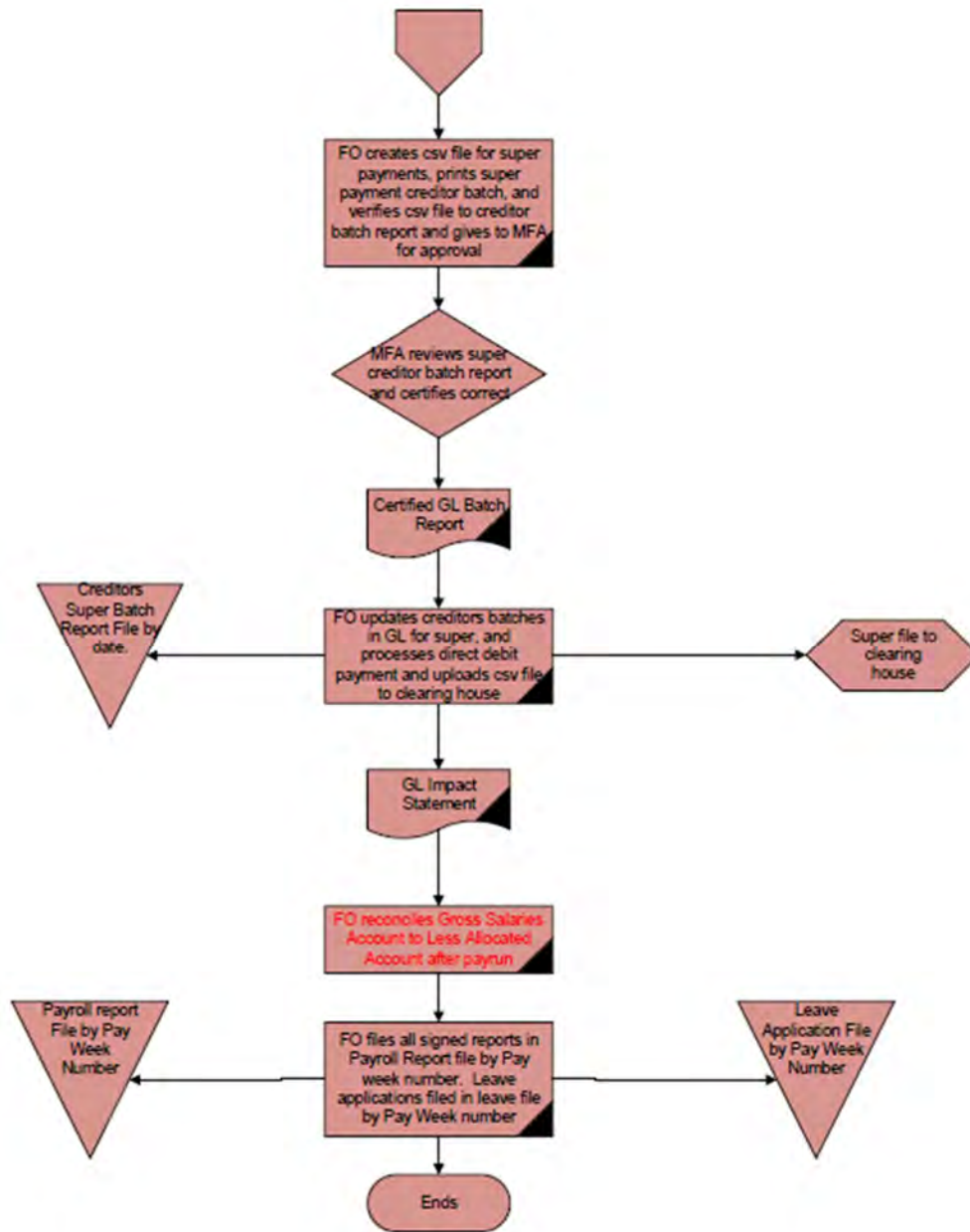
SHIRE OF CRANBROOK		
Payroll Flowchart		31/05/2023









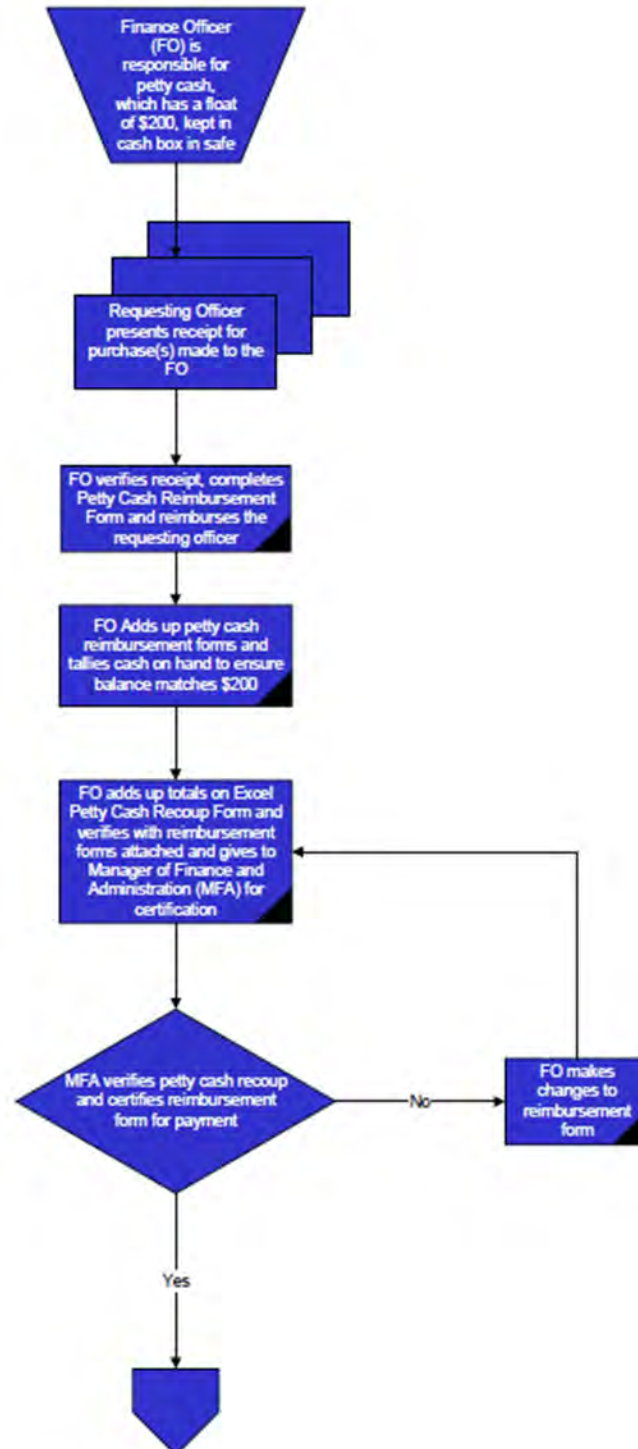


# SHIRE OF CRANBROOK

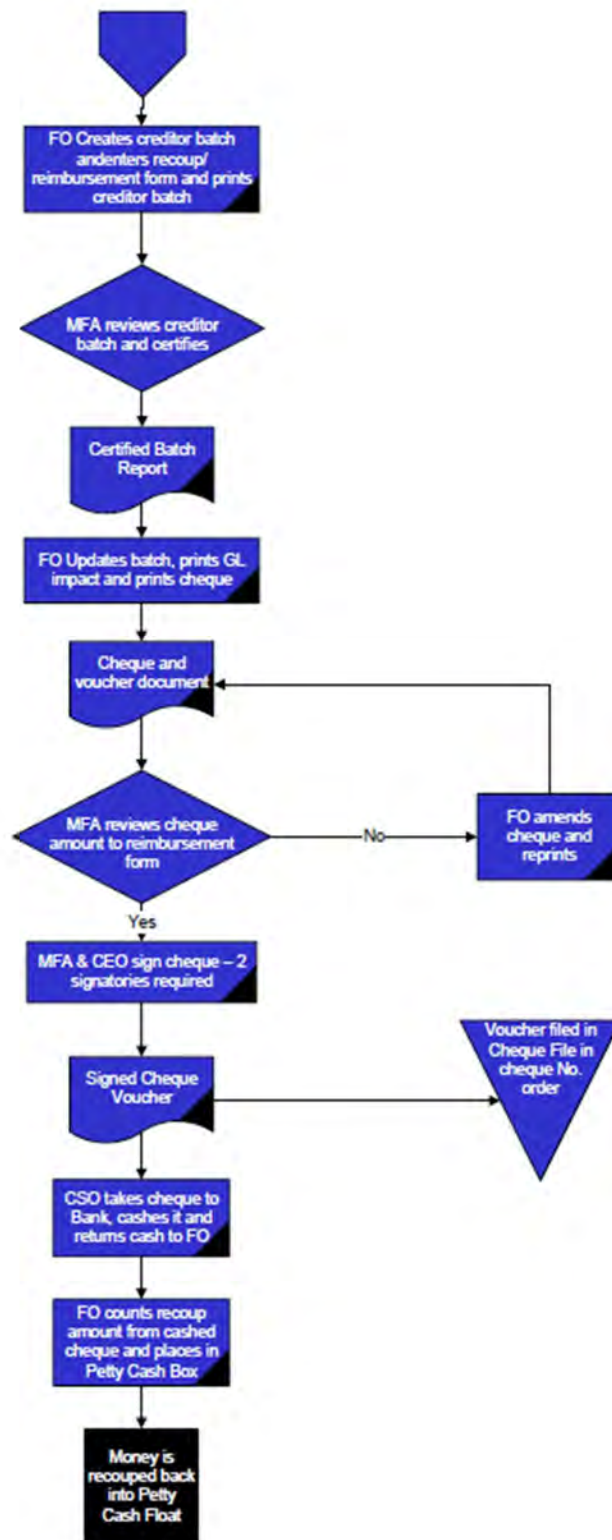
Petty Cash Imprest System

Flowchart

31/05/2023



1





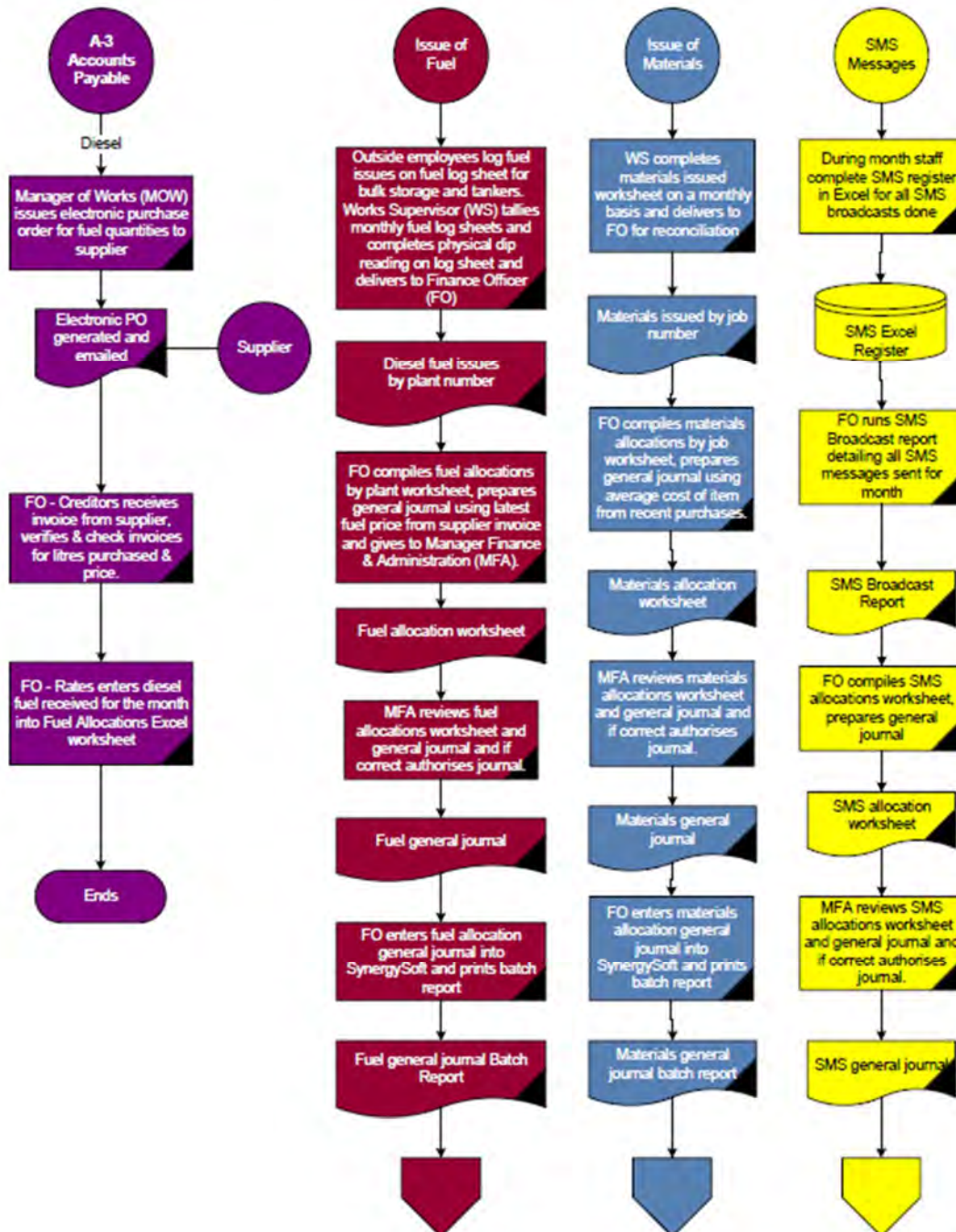
# SHIRE OF CRANBROOK

Fuel Stock

FLOW CHART

19/04/2023

All Shire purchases are related to Diesel Fuel, Materials & SMS Messages



1

