



# FINANCIAL MANAGEMENT REVIEW

*Local Government (Financial Management) Regulations 1996*

2024

SHIRE OF TRAYNING

Prepared by Rhona Hawkins  
LG BEST PRACTICES  
30 June 2024

## TABLE OF CONTENTS

PURPOSE .....	2
WHAT WE DID.....	2
ACCOUNTING.....	3
PROPER COLLECTION OF MONEY OWING .....	5
SAFE CUSTODY & SECURITY OF MONEY COLLECTED OR HELD .....	7
MAINTENANCE & SECURITY OF FINANCIAL RECORDS .....	10
AUTHORISATION OF PURCHASES & PAYMENTS.....	11
MAINTENANCE OF PAYROLL.....	13
STOCK CONTROL .....	14
VERIFICATION OF COSTING RECORDS.....	15
STATUTORY REPORTING.....	16
MANAGEMENT OF LOCAL GOVERNMENT RESOURCES .....	16
FINANCIAL MANAGEMENT SYSTEMS & PROCEDURES .....	17
SUMMARY OF RESULTS.....	18

# INTRODUCTION

## PURPOSE

LG Best Practices Pty Ltd was engaged by the Shire of Trayning to conduct a financial management review in accordance with their internal policies and the requirements set out in *Local Government (Financial Management) Regulations 1996*. The purpose of this review was to independently evaluate the appropriateness and effectiveness of the local government's financial management systems and procedures and communicate our findings to the CEO.

The findings contained herein, together with recommendations for best practice, will position the CEO to make informed decisions with respect to the execution of her financial management duties, in accordance with *Regulation 5*.

## WHAT WE DID

We attended the premises of the local government and accessed their systems remotely to assess the efficiency of their financial management systems and procedures, and compliance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* (FM Regs) and the *Australian Accounting Standards* (AAS).

Specifically, we reviewed the systems and procedures required, under *Regulation 5*, to be established and maintained by the CEO. This included systems relating to –

- (a) collection of money owing
- (b) safe custody and security of money collected or held
- (c) maintenance and security of financial records
- (d) accounting for municipal or trust
  - (i) revenue received or receivable
  - (ii) expenses paid or payable
  - (iii) assets and liabilities
- (e) authorisation of purchases and payments
- (f) maintenance of payroll, stock control and costing records
- (g) preparation of budgets, budget reviews, accounts and reports required by the Act and regulations
- (h) management of local government resources
- (i) regular reviews of fees and charges by the council (at least once every financial year)
- (j) regular reviews of financial management systems and procedures (at least once every 3 financial years).

# PROPER COLLECTION OF MONEY OWING

## RATIONALE & EXPECTATIONS

---

Adequate controls for revenue received or receivable should be established to ensure proper segregation of duties, security and safe keeping of stocks and appropriate preparation of private works requests. Accounting controls should enable proper recording of invoices with periodic reviews and reconciliations to ensure integrity of the accounting system. Outstanding debts should be addressed in accordance with debtor policies to enable timely recovery of money owing to the Shire. Fees and charges should be reviewed/updated regularly and applied accordingly. All invoices, credit notes, special discounts and write-off of debtors should be appropriately authorised with supporting documentation retained.

## REVIEW PROCEDURES

---

Randomly selected debtor invoices, debtor batches, and private works requests were sampled to assess controls for the segregation of duties and sale of goods, and recordkeeping. Debtor batch listings, council budget resolutions and credit note batch listings were reviewed for appropriate authorisation and compliance with legislation. Debtor requisitions, private works requests and invoices were randomly selected and assessed to ensure adequate recordkeeping of all revenue-related documentation. Adopted budget council resolutions, schedule of fees and charges, rates notices, interest invoices, and cancelled invoices were reviewed to ensure appropriate processing of invoices.

Debt collection procedures were evaluated with respect to cost recovery arrangements, and power to defer, grant discounts, waive or write off debts.

End of day reconciliations were evaluated to ensure adequate recordkeeping and controls in place for the collection of money from outstations. Charge type listings, invoices, end of month reconciliations, budget versus actuals report, debtors batch listings, general ledger extract and credit notes were reviewed to ensure appropriate controls were in place for effective accounting of sale of goods and services, receipting of other income, invoicing, and reconciliation of revenue.

## FINDINGS

---

To ensure the accuracy of information, a New Debtors and Change of Details form is completed.

A debtor's requisition form is in use and batches are independently signed off prior to raising invoices. Debtor Batch Transaction Listings were signed by an independent staff member.

The segregation of duties between raising and receipt of invoices was not viable given the size of the organisation. Private works requests were sampled and found to be signed by the Works Manager and contained copies of timesheets to verify the hours of work performed.

Randomly selected debtor batches were found to be sequentially numbered along with private works requests. Many of the sampled credit notes were related to rental charges invoiced in advance although the agreement had been terminated. A Spreadsheet is used to maintain Debtors - Rentals however this was not up to date. It was noted the Education Department invoice should have been raised in September 2023 for the 2023-2024 period however It was not raised until June 2024.

Limited stock is held on site and the depot is locked when outside crew are on location.

In accordance with the Adopted Budget, a 5% discount was offered to all ratepayers that paid by the due date. No reference was found relating to late payment interest charges for outstanding debts other than rates. The schedule of fees and charges was adopted at the time of budget adoption and interest rates, instalment plan charges, and rates in the dollar were correctly disclosed. Miscellaneous Receipting Parameters are in use and reflect the current adopted fees and charges. Charge types are set up to manage debtor invoicing, however the rates had not been updated although all randomly selected invoices had raised the correct charges.

The debt collection policy relates to both rates outstanding and sundry debtors and detailed timelines for progression of rates outstanding however these had not been followed and additional time to pay had been given to ratepayers. There was no evidence sundry debtors had been managed according with the policy. Statements were issued monthly.

Outstanding debts over 90 days were minimal and were in a payment arrangement, under administration or awaiting settlement of sale of property. Debts at 60 days and 30 days were also minimal. An analysis of outstanding debtors is conducted as part of the end of month process. Credit loss work papers demonstrated low risk for bad or doubtful debts.

The financial system adequately controls the numbering of invoices and credit notes, and all invoices were posted in the correct reporting period. Charge types sampled were correctly allocated to the appropriate general ledger accounts and all reconciliations had been independently reviewed.

A reconciliation of the end of day receipting is performed each day and independently reviewed by the CEO or MCS.

## RECOMMENDATIONS

---

Debtor batch transaction listings were signed by an independent officer however it is recommended they also be signed and dated by the officer preparing the batch even though their name/login may appear on the report.

Update standard fees and charges schedule to include reference to late payment interest charges for outstanding debts other than rates - even if it is zero so charges remain transparent. This should also be noted in the adopted budget resolution.

The charge type descriptions are quite generic which can lead to errors, it is recommended the descriptions are more prescriptive, so they are easily identified through the search function in the invoice process program. Any standard charges should be updated on an annual basis as soon as the budget has been adopted.

Invoices should be raised when they are due as this can significantly impact on the Shire's cash flow. The recurring transactions function should be implemented for all rentals to ensure they are raised in advance in accordance with the agreement and the correct outstanding balance can be determined at all times.

Calendar reminders should be set for all rates instalments/debt collection stages to ensure the timelines are adhered to at all times. Before adopting the budget, dates should be checked to ensure they do not conflict with RDOs, public holidays etc.

Outstanding Debtors should be a priority each month, as this can adversely affect the Shire's cashflow.

# SAFE CUSTODY & SECURITY OF MONEY COLLECTED OR HELD

## RATIONALE & EXPECTATIONS

---

### *Cash on hand and at bank*

Money received should be dealt with in accordance with the safe custody and cash handling policy, including appropriate segregation of duties. Trust and Municipal bank accounts should be established with appropriate authorisations and money received should be paid into the accounts accordingly. Records for all cash and bank balances and reconciliations at year end should be adequately retained, as well as bank statements and bank confirmations certificates. Access to cash on hand and cheques should be restricted and all cash floats properly accounted for. Cash collected should be immediately receipted and banked in a timely manner.

### *Monies held for specific purposes*

Policies and procedures should clearly specify requirements for identification and classification of funds, expenditure controls, recordkeeping, monitoring of fund balances, roles and responsibilities, compliance, and policy reviews. The establishment of specific purpose monies should have appropriate authorisation and the purpose and use of monies should be clearly defined. Expenditure relating to specific purpose monies should be properly authorised and reconciled, with sufficient evidence supporting the expense. Special purpose accounts should be reported to governing entities regularly, in addition to the standard financial statement reporting processes. Disclosures should be reviewed annually to ensure accurate and complete reporting. Adequate notices to the public should be observed for reserve accounts, and recordkeeping must enable reserve accounts and their purpose to be identified in all documentation. Changes to the purpose or use of money in a reserve account must be disclosed in the annual financial reports for the corresponding year. Policies and procedures should clearly outline controls for the identification of transactions relating to each investment and the nature and location of the investments. A schedule of investments should be reconciled to ledger balances and should include opening balances, additions, disposals and closing balances throughout the year. Records relating to the calculations of investments and supporting documentation for any loss/gain on disposals or fair value loss/gain should be retained.

### *Grants administration (grants received)*

Policies and procedures should be established to provide guidance for employees to effectively manage grant administration from application, assessment, monitoring and acquittal to review phases and indicate responsible persons. These policies and guidelines should be reviewed and updated regularly. Effective recordkeeping should clearly document information relating to grant funding opportunities and grants received. The effectiveness of grant programs should be periodically evaluated and documented in milestone reports. Grant expenses and payables should be monitored with compliance reviews and reconciliations.

## REVIEW PROCEDURES

---

### *Cash on hand and at bank*

Petty cash reconciliation and cash on hand declarations at year end were reviewed to ensure all cash on hand was fully disclosed. Bank audit certificates at year end were requested as confirmation of balances from the

cash holders. Randomly selected bank reconciliations were reviewed to confirm balances to bank statements and randomly selected monthly financial statements (cash and investment listing) were checked for accuracy.

Cash and cheques are held in a secure location and access to funds is restricted.

Cash floats are properly accounted for and cash takings and cheques collected are receipted immediately and banked in a timely manner.

#### *Monies held for specific purposes*

The policy manual was reviewed to determine whether effective guidelines for the identification and classification of specific purpose funds, expenditure controls, recordkeeping, monitoring of balances, and roles and responsibilities were documented. The purchasing policy and controls for expenditure from specific purpose accounts were reviewed to ensure monies were appropriately spent and monitored. Descriptions and purposes of specific purpose accounts were checked in the annual budget and annual financial report to ensure adequate controls were in place to limit potential misuse of monies. Randomly sampled general ledger accounts were reviewed with the chart of accounts to ensure monies were spent in accordance with intended purposes. Monthly financial statements were also reviewed to ensure adequate monitoring of fund balances.

The annual financial report was examined for clear identification of each reserve account and its specific purpose. The annual budget, annual financial statements and general ledger accounts were reviewed in Synergysoft (accounting system) to confirm that accounts were correctly referenced.

The schedule of investments was reviewed along with monthly financial statements to ensure appropriate recordkeeping and accurate balances throughout the year.

#### *Grants administration (grants received)*

Policies and procedures were evaluated to assess whether the Shire followed clear processes to identify available grants, make budget allowances, and provide guidance to employees to effectively manage grant administration. Evidence was requested to demonstrate that acquittal documentation was assessed against the budget and funds allocated as outlined in the grant agreement. The grant agreement was examined to confirm that objectives outlined were met and/or milestones were reported in a timely manner.

## FINDINGS

---

#### *Cash on hand and at bank*

No policy for safe custody and cash handling was available.

Policy 7.2 Petty Cash and Till Float was examined and noted that petty cash is rarely utilised. Typically, staff provide a receipt and are reimbursed from petty cash. They are required to complete a petty cash docket before receiving the cash funds, occasionally funds are required upfront to purchase goods however the process is still the same and staff are required to return with a cash docket/receipt. The petty cash is reconciled when a "top-up" is required.

Bank audit certificates were not available but it is noted that auditors now access account balances through [www.confirmations.com](http://www.confirmations.com) which is not available to Shire staff.

The Shire is undergoing renovations which includes access to the strong room and server area. This item should be reviewed following the renovations.

There is only one Cash drawer which is shared by all officers with access to receipting, it is not locked. Access

to cheques is restricted to SFO and CSO1, Cheques are signed by CEO and MCS, cheques are only used for Petty Cash.

There are no outside stations and patrons of the caravan park come into the administration office to pay.

#### *Monies held for specific purposes*

No policies or procedures were identified with respect to the opening or closing of specific purpose accounts or guidance on establishment, nature and categorisation of accounts. Updated policies are published on the Shire's website and staff notified of changes through normal communication channels. Specific purpose accounts were adequately defined in the annual budget and annual financial report, and purchase orders were effectively used in accordance with the purchasing policy to control expenditure from accounts. This expenditure was recorded against appropriate general ledger accounts and all balances and reconciliations detailed in monthly financial statements.

Expenditure from specific purpose accounts was clearly recorded against appropriate general ledger accounts. It was noted that there were no changes in relation to reserve accounts which required public notices.

Monthly reconciliations of the investments schedule were contained in the monthly financial report and calculations of gains and losses were also disclosed in the monthly financial report and reconciled to the asset register.

#### *Grants administration (grants received)*

There were no policies or procedures providing comprehensive guidance for employees to effectively manage grant administration.

It was noted that the council does not keep a grants schedule for documenting current grant funding and/or opportunities. The grant note contained within the monthly financial report serves as a Schedule and is reconciled monthly.

Most grants received were from state or federal government agencies which have robust milestone/quarterly reporting which is tied to receipt of funds, ensuring that all conditions are met and final acquittals have been audited.

## RECOMMENDATIONS

---

#### *Cash on hand and at bank*

A cash handling policy guides staff on procedures for receipting large sums of cash, access to cash registers, how to transport and store cash as well as who is authorised to access the safe. Such a policy should be adopted which details all types of monies received and the manner in which staff should handle and store it. Reference to how much cash may be held in one location at any time also helps to reduce the risk of large sums of money being stolen etc. It is noted that only small amounts are usually received.

The strong room and server room should be reviewed following completion of the administration building renovations. To reduce the risk of theft, a lockable cash drawer should be used and be kept locked at all times. Each officer should receipt into their own batch, this way they are responsible for their own balancing and any error, omissions etc. It is noted Trayning is a small Council however it is preferable that batch updating should be carried out by someone independent to the batch owners.



### *Monies held for specific purposes*

Policies should be updated to incorporate guidance to staff with respect to the establishment, nature and categorisation of each account.

### *Grants administration (grants received)*

A well written policy/procedure is an invaluable guide to ensure staff understand who is responsible for application, assessment, monitoring, acquittal and review phases of grant administration. We recommend establishing a policy/procedure to ensure best practice.

It was noted that the council did not keep a grants schedule. We recommend the use of such schedules to ensure timelines for completion, reporting and acquittal are reached. The OAG Better Practice Guide recommends establishment of a grant schedule, which considers future funding opportunities for capital works etc contained within the corporate business plan, that could be funded utilising grants. This schedule would be an invaluable management tool for staff, this practice could assist in reducing the rate burden on ratepayers.

It would be best practice to establish a register for Community Grant applications which will record the Assessment process etc.

Lastly, although unspent grants are contained within the monthly financial statements, a more robust reconciliation process could be considered.

## **MAINTENANCE & SECURITY OF FINANCIAL RECORDS**

### **RATIONALE & EXPECTATIONS**

---

Policies and procedures should be established to ensure adequate controls for proper management of financial records and information systems. Security should be appropriately maintained with policies and procedures to enable verification of employee identity and credentials, and to protect the organisation against fraud. Software should be maintained in accordance with security and software policies.

### **REVIEW PROCEDURES**

---

Records management policy was reviewed for accuracy against the record keeping plan.

Altus ECM was interrogated to ensure compliance with the relevant legislation and the record keeping plan, in particular, appropriate controls for identifying and naming records as well as approved disposal authority.

A review of the disaster recovery and business continuity plans was carried out to ensure the safe storage of records.

Examined the contract with Wallis Computer Systems to identify any vulnerabilities.

Internal controls regarding fraud prevention and corruption control were examined to ensure appropriate protection was in place.

Randomly selected personnel files and reviewed the recruitment and selection policy.

## FINDINGS

---

Policy 3.3 Organisational Records was found in the policy manual however refers officers to the State Records Office and the record keeping plan for further guidelines.

The Shire's recordkeeping is a browser-based enterprise content management system implemented in March 2022. AltusECM provides a mechanism to capture, manage, store, preserve and deliver different corporate information produced in varied systems. The transition to the new system is still occurring, and they are currently operating as a hybrid electronic and paper system with the intention of operating entirely electronically.

The Record Keeping Plan is due for review on 31 May 2028. Some items that were due for completion by 30 June 2024 had not been done due to renovations of the administration building.

The business continuity and disaster recovery plans was adopted in February 2024 and clearly sets out what is required in regard to the storage and testing of data. The record keeping plan contains appropriate language controls to ensure items can be easily retrieved and this plan clearly identifies the accurate retention and disposal of records.

The code of conduct is appropriate and clearly written, and all staff sign a code of conduct declaration form to confirm they have read and understood the document.

Supplier credentials are checked prior to any purchases and any changes are independently checked for legitimacy.

The Shire manages its information technology via an external consultant. The contract outlines the required controls and testing to reduce vulnerability.

It was not easy to find all the details/checks required in the personnel files.

## RECOMMENDATIONS

---

Information that provides evidence of business activity or decision is a public record. Shire employees are required to appropriately classify and store all information which constitutes a record. A policy which clearly outlines this is mandatory and should be easily accessible in the policy manual.

Staff credentials, qualifications and licenses etc are verified at the time of employment, however they should be checked on an annual basis to ensure currency.

Some items in the record keeping plan were due for completion by 30 June 2024 but had not been done due to renovations of the Administration Building. This matter should be reviewed again in the 2024/25 year.

A Minor Assets Register is required to track minor equipment to reduce the risk of loss/theft. The devices should be regularly checked (at least annually) to ensure they are still in good working order and they are still held by the assigned staff/council member.

It is suggested staff are reminded of their obligations regarding their code of conduct, license/qualification renewals etc and sign an acknowledgement each year, during the annual development review process.

A policy that will aid in the recruitment of suitable staff should be developed which sets out how qualifications, licenses etc are to be verified and referee checks performed. It should include areas of selection priority such as "cultural fit".

# ACCOUNTING FOR MUNICIPAL OR TRUST

## RATIONALE & EXPECTATIONS

---

Assets and liabilities should be maintained in accordance with established policies and procedures and adequate records retained.

## REVIEW PROCEDURES

---

### *Assets*

The asset register was reviewed to determine the correct recording of additions, disposals, transfers, depreciation and remaining useful lives. These details were compared to those disclosed in the 2023-24 adopted budget and the 2022-23 annual financial report, in particular note 8 Property, Plant and Equipment, note 9 Infrastructure and note 10 fixed assets – depreciation.

An extract of the asset register from Synergysoft was obtained to determine if it reconciled to the general ledger. The general ledger trial balance was used to confirm all capital acquisitions at year end had been recorded in the asset register.

All Shire owned property details including Title Deeds are kept in an indexed lever arched file in the compactus. Each title deed is stored in individual marked display sleeves and the same process is maintained for the vesting orders.

Reconciliation of valuation reports against the asset register were confirmed for each class of asset.

### *Liabilities*

Loan schedules were reviewed for all current loans to determine the accuracy of information disclosed in the borrowings note contained in the monthly financial statements, budget and annual financial reports. These reports were also used to determine the accuracy of disclosures for right of use assets and leases.

Examination of the monthly creditors reconciliation was carried out to confirm both the sundry creditors control account and the general ledger were in balance.

The set-up of the Chart of Accounts (COA) was examined to ensure all statutory obligations were adhered to.

## FINDINGS

---

### *Assets*

It was noted depreciation rates were disclosed in the annual financial report but differed slightly in the adopted budget but within the limits. The remaining useful lives were adjusted during the Fair Value reviews as appropriate. The last review was done for Infrastructure as at June 2023.

The Shire does not hold stock, all items purchased are fully costed to the relevant jobs at time of purchase.

The Shire uses the Moore Australia standard annual financial report template which includes a schedule showing opening balances, additions, disposals, transfers, depreciation, impairment loss/reversal, revaluation increments/decrements, write-offs, classified as held for sale and closing balances for all asset classes.

All acquisitions and disposals are reported in the monthly financial statements and presented to Council at the ordinary meeting each month. An asset reconciliation is conducted as part of the end of month/year processes

however roads and footpaths are not included in this reconciliation as the details are held within the RAMM database. Minor Assets are not being managed.

Valuation reports have been provided for all asset classes at the required time.

The chart of accounts (COA) in use is not the industry standard COA but it has been set up in accordance with the Australian Accounting Standards (AAS) and local government reporting requirements.

#### *Liabilities*

Loan schedules were available in PDF format. Documentation was not accessible for self-supporting loan due to the administration building renovations however it was not deemed necessary as the loan will expire in September 2024. Receipt of the self-supporting loan payments were confirmed on the Bank statement.

There was no borrowing/loan management policy.

Leasing details are managed via an excel spreadsheet and analysed as part of the end of year processes in preparation for the annual financial report.

Reconciliation of the sundry creditors control account to the trial balance and ageing schedule is performed as part of the end of month and end of year processes.

The chart of accounts (COA) in use is not the industry standard COA but it has been set up in accordance with the Australian Accounting Standards (AAS) and local government reporting requirements.

## RECOMMENDATIONS

---

#### *Assets*

There should be a method of ensuring the RAMM data reconciles to the Synergysoft asset register, at least on an annual basis.

The minor tools module in Synergysoft should be considered for recording of minor assets to maintain all assets under one system.

#### *Liabilities*

A policy should be developed for self-supporting loans, outlining the criteria and conditions for assessment and addressing the need to provide a formal business plan evidencing appropriate financial planning, and security for the total of the loan in the form of personal guarantees or real property.

All lending agreements should be readily available upon request for the term of loan (and in accordance with the record keeping plan).

For ease of budget and AFR preparation, excel versions of the schedules should be readily available (available from WATC).

# AUTHORISATION OF PURCHASES & PAYMENTS.

## RATIONALE & EXPECTATIONS

---

The organisation should have a well-established procurement framework with appropriate controls in place for the ordering and approval of purchases, including tenders where applicable. Contracts should be maintained in accordance with internal policies and legislative requirements. Policies should also ensure adequate controls over purchasing cards and procedures for monitoring the use of such cards.

## REVIEW PROCEDURES

---

Examined the tender register, purchasing and tenders policy and purchase orders – issuing policy to ensure compliance with the regulations.

Randomly selected creditor batches, invoices and purchase orders to ensure proper controls and approval process.

Reviewed the policy manual to determine if one existed for contract management.

Examined the contract register and new/update supplier details form to ensure compliance with legislation.

The credit card and store card facilities policy was reviewed for compliance with legislation and the credit card bank statements were examined to ensure adherence with policy and to ensure there was an independent reviewer.

## FINDINGS

---

The purchasing and tenders policy is of a high standard and is built into the procurement software Altus Procurement therefore it is difficult not to adhere to the guidelines.

The tender register is an excel workbook which was up to date however was not updated on the Shire's website.

All purchase orders were signed, invoices were stamped for approval and appropriate authorisation, goods were signed as received and quotes attached if required. Segregation of duties was maintained. Audit trail was presented at each payment run to ensure changes to supplier details were approved. Authorising officer signs the Invoice which they use as approval to pay and good received.

The new supplier form contains all steps required, authorisation and independent review although they have just started to use EFTsure which conducts all the relative checks/reports on your behalf.

Multicon - Stallion Homes did not have a PO but they did have a signed contract from the tender. It is noted the signed contract is the approval for tenders. However, raising a PO ensures that the costs can be managed/monitored against the contract price and approval easily tracked, therefore a PO should be raised once the contract is approved.

All purchases sampled were found to comply with all requirements. Credit card purchases were found to be in order. The CEO reviews the MCS card and Shire President reviews CEO's card. A review of the creditor masterfiles is completed yearly and suspensions are placed on files if unused for over 2 years.

## RECOMMENDATIONS

---

The tender register should be published on the website and maintained throughout the year.

A policy which outlines how to manage, review, make variations and record contracts is an invaluable tool for staff involved in contract management. It should detail examples of what constitutes a contract, the need to examine supplier spend over a three-year period and include a clause regarding anti-avoidance.

A procedure should be developed to manage the tender/contract process and included the need to raise PO for tendered/contracted services.

## MAINTENANCE OF PAYROLL

### RATIONALE & EXPECTATIONS

---

Adequate controls should be established for the recording and approving of hours worked, including appropriate segregation of payroll duties. Payroll calculations and approvals for leave, allowances and deductions are expected to be checked against authorising documentation and pay rates should be in accordance with the award and employment contracts. Timecards should be costed to appropriate jobs and all payroll transactions promptly recorded in the correct posting period. Software and office security measures must prevent unauthorised access of payroll records and these records are to be effectively maintained. Monthly and annual payroll reconciliations must be completed, and periodic audits should be conducted by independent persons. Provisions for employee entitlements should be accounted for and liabilities addressed appropriately.

### REVIEW PROCEDURES

---

An interview was conducted with the Senior Finance Officer to evaluate procedures for time recording, approvals and supporting documentation.

Personnel files of six employees (CEO, SFO, WS, CSO, 3 x Works staff) were sampled to assess whether:

- Contracts of employment were held on file
- Changes to employment conditions were supported by authorised documentation
- Pay rates were in accordance with awards and contracts of employment
- Timesheets were completed properly with appropriate authorisations
- Requests for LSL and annual leave were completed properly with appropriate authorisations
- Allowances & deductions were supported by employment contracts or other authorised documentation
- Superannuation was calculated in accordance with legislative requirements and employment contracts
- Termination payments were calculated in accordance with legislative requirements and employment contracts
- Payslips were issued in a timely manner, in accordance with both legislative and employment contracts

Payroll records were sampled over randomly selected pay periods to evaluate the effectiveness of payroll systems and controls. This involved a review of:

- Audit trail reports
- Software security settings for payroll set up
- Direct credit files
- Payroll reconciliation reports, payroll postings
- Employee provisions calculation worksheet
- New and terminated employees listing

## FINDINGS

---

No formal procedures were documented in relation to recording of time and leave approvals, however it was noted that Altus payroll software is used to manage time recording and leave requests which are electronically approved. All Staff enter timesheets into the Altus Payroll program. These timesheets are then approved using a TEAMS hierarchy within Altus Payroll. The manager of works checks accuracy of submitted timesheets to the appropriate GL codes for works staff, the manager of corporate services for administration staff and the CEO for the senior management team.

If a change is required, the senior finance officer contacts the works manager and consults with employees before changes are made. The preferred method of change being for the employees to amend themselves, however if the timesheet has already been approved this may not be possible and the senior finance officer must amend.

Sampled timecards were correctly entered and costed. Plant hours are allocated via connect with entered in the asset section the timecard entry. Posting to Synergysoft is undertaken via a Universal Journal, generally on the same day as payroll processing.

The senior finance officer independently reviews all transactions after each payroll and completes a reconciliation. There is an audit summary available and a pdf saved for each pay. In addition, there is provision to undertake a company audit trail via company reporting in Altus Payroll.

All staff have a unique login for Altus Payroll software and use their credentials to access payslips and submit leave requests for approval by their line manager, maintaining a high level of security. If a hard copy is required this is sent to the individual's email upon written request.

The bank aba file is saved in a secure folder. It was noted the Finance Officer has access to payroll which should be rectified.

Physical personnel files containing payroll records for each employee are secured in a locked filing cabinet which is accessible by the SFO, MCS and CEO. Copies of contracts were sighted and update of pay rates was maintained in a spreadsheet which was signed by the authorised person, in addition to wage increase correspondence.

In the samples provided, one employee was found to not have a written termination letter and some staff declarations did not align with the paperwork provided. In regard to long service leave, no official agreements have been entered into, noting as of 1 September 2024 this condition will not apply in accordance with the amendments to the LSL Regulations, however the new legislation is not retrospective.

All sampled personnel files had the original signed code of conduct, national police clearance and drivers licence on file, however there is no annual review. Annual performance reviews had been conducted.

## RECOMMENDATIONS

---

Altus Payroll is a highly compliant payroll system with adequate controls for recording hours worked and management of leave requests and approvals, however it is recommended that a procedure be developed to formalise these processes which should be reviewed annually.

Ideally, if a change to a timesheet is required, the employee should withdraw the timesheet and re-enter to demonstrate they are aware of the modification. However, it is understood that time constraints for payroll may mean this process cannot be followed due to staff being on personal/sick leave or their work location does not have the required access. In this case, the changes can only be completed by a supervisor/line manager.

Pay rates were compliant at the time of audit nevertheless it is recommended these are reviewed each year as part of the end of year processes. All hard copy personnel data should be converted to a digital record so it can be easily retrieved via the AltusECM software. To minimise the potential for error all personnel files should be organised in the same manner, preferably chronologically by subject. All future documentation should be digitally signed.

Plant hours are allocated during timecard entry, however occasionally the webhook can drop off and hours may not be captured, therefore it is recommended the payroll procedures are updated to include checking this area as part of payroll processing.

Although there is a payroll reconciliation being performed at the end of each pay period, it is recommended that this be reviewed and signed by the MCS and include the company reporting audit trail in addition to the audit summary.

Regular review of access levels to payroll data should be conducted to ensure that only the officer assigned to perform payroll duties has access to data, along with ReadyTech and any contract payroll services required. Access should only be granted to relief staff on an ad hoc basis.

Any changes to rates of pay or employment contracts should be accompanied by formal documentation that is signed by both parties, dated and a copy kept by each party. To simplify the process of notifying staff of their increase, a standard memo can be set up using word mail merge and creating the data doc from and a system generated csv file.

If a staff member advises their termination verbally, a written letter of acceptance must be provided. A termination checklist should be used to capture any requirements, ie keys to be returned etc and should include the estimated entitlements as at the date of termination.

An audit of all staff tax file declarations (TFD) should be undertaken immediately to ensure payroll records have been set up correctly. If any changes are required a new tax file declaration must be completed and signed by the employee.

Management should review annual leave accruals each month and notify employees, in writing, if they have annual leave in excess of six weeks and request them to take leave within six months. Employees who have fully accrued long service leave prior to 1 September 2024 should enter an agreement to officially delay their leave and secure the rate of pay, if over 10.6 years. There is only one employee affected at this time. Under the new regulations there is a provision for the employer to request staff to take long service leave.

Performance reviews are a management tool to guide staff through career advancement, training requirements and provide feedback on performance. It can be a valuable tool if conducted well. Training for management staff on how to get the most out of a review could be beneficial.

It is recommended that if positions require a police clearance, working with children check or valid drivers licence, these should be reviewed annually to ensure currency and compliance. A register indicating these



have been verified should be maintained and kept in the relevant personnel files.

## STOCK CONTROL

### RATIONALE & EXPECTATIONS

---

Fuel stocks should be accounted for properly and issues appropriately recorded. The methodology for fuel allocations should be appropriate with segregation of duties to ensure effective verification of dips.

Unauthorised access to the depot should be restricted and valuable items properly secured. Adequate insurance policies should be in place with coverage against fire and deterioration and these policies should be reviewed regularly.

Items received into stock should be properly controlled as well as stocks held by third parties. Supporting documentation for annual stock takes should be retained and should detail obsolete/slow moving stock as well as any work-in-progress stock.

### REVIEW PROCEDURES

---

Random fuel purchase invoices were sampled to assess fuel allocation controls and recordkeeping.

Depot site access, stock purchasing authorities and processes, and insurance cover were evaluated to ensure appropriate controls and recordkeeping for inventory. Insurance policies were reviewed to ensure adequate cover in place.

### FINDINGS

---

Purchases are made by authorised employees, then verified against purchase invoices by the creditors officer and approved by the works manager or CEO, maintaining appropriate segregation of duties. There is no bulk tank at the depot. Stock purchases are appropriately accounted for and reconciled by the creditors officer. Issues from mobile tankers are recorded on fuel issues sheets and reconciled.

The depot is locked when no staff are present, ensuring that unauthorised site access is restricted, and valuable items are properly secured. The works manager is responsible for the receipt of all goods into the depot, however it was noted that very little stock is held onsite as most goods are ordered as required for use on specific jobs. Adequate insurance policies are in place for protection against fire and deterioration and an annual insurance review is undertaken.

The works manager supervises all stock purchases and the allocation of goods to jobs and the CEO performs the final authorisation for payment, thus appropriately segregating duties.

### RECOMMENDATIONS

---

There were no areas of concern.

## VERIFICATION OF COSTING RECORDS

### RATIONALE & EXPECTATIONS

---

All public works overheads, administration allocations and plant cost recoveries should be fully allocated at year end with rates correctly calculated and verified. Percentage of administration allocations should be verified for each program.

### REVIEW PROCEDURES

---

Costing records for public works overheads, administration allocations and plant cost recoveries were evaluated by comparing the annual budget to the payroll system.

### FINDINGS

---

The June 2024 Monthly Financial Statements were reviewed and costs were allocated as expected. There will be some final allocations to be made during the preparation of the 2023-24 annual financial report.

### RECOMMENDATIONS

---

Allocations should be reviewed again during the finalisation of the 2023-24 annual financial report.

## STATUTORY REPORTING

### PREPARATION OF THE ANNUAL BUDGET & BUDGET REVIEW

---

The Shire of Trayning uses the Moore Australia standard templates for preparation of the annual budget and budget review. These templates were examined and comply with regulations.

The 2023-24 Budget was adopted on 19 July 2023 by absolute majority and included the Schedule of Fees and Charges.

### ANNUAL REVIEW OF FEES & CHARGES

---

The schedule of fees and charges were reviewed during the preparation of the 2023-24 annual budget and adopted at the same time, on 19 July 2023.

It is recommended that staff continue to fully utilise the receipting parameters function of the Synergysoft accounting software to ensure accuracy.

### PREPARATION OF MONTHLY FINANCIAL STATEMENTS AND ANNUAL FINANCIAL REPORT

---

The Shire of Trayning uses an older version of the Moore Australia standard template for preparation of the monthly financial reports. The template was examined and found to comply with regulations in most instances.

The annual financial report was prepared using the latest version of the Moore Australia standard template. This template was examined and found to comply with regulations.

The 2022-23 Annual Financial Report signed by the Chief Executive Officer on 5 December 2023 was adopted by Council on 13 December 2023.

## MANAGEMENT OF LOCAL GOVERNMENT RESOURCES

Resources are accounted for in the Synergysoft Asset Register therefore they have been examined under the heading of Accounting.

The Asset Management Plan was revised in April 2024 and outlines the activities that will be carried out over the next 15 years. It also details the service levels (standard) the Shire will provide and the resources required to deliver them.

## FINANCIAL MANAGEMENT SYSTEMS & PROCEDURES

### RATIONALE & EXPECTATIONS

---

The integrated planning and reporting framework should include well documented and publicly available plans for the future. Registers should be maintained in accordance with legislative requirements and published on the Shire's website.

### REVIEW PROCEDURES

---

Reviewed strategic community plan, corporate business plan, long term financial plan, workforce plan, asset management plan, business continuity plan and other informing strategies to determine currency and compliance with legislative requirements.

Searched the Shire's website to determine if all registers and public documents had been published as required by legislation.

### FINDINGS

---

The strategic community plan and corporate business plan have been incorporated in one document and was adopted on 20/04/2022 for the period 2022-2032. The long term financial plan covers the period 2024-2025 to 2033-2034 and was adopted on 27/06/2024 along with the workforce plan which covers the period 2024-2025. All informing strategies were published on the Council's website.

The Business Continuity Plan was adopted on 21/02/2024 and contained a Key Contact Sheet.

The Tenders page of the Shire's website was blank and stated, "The Shire of Trayning currently has no Tenders". However, when looking at the "Council Registers" section, the 2022-23 Tender Register was available. Staff did provide an electronic copy of the Current Tender Register which listed 3 x Tenders.

Primary and annual returns were published on the website but contained within the Financial Interest Register so it was not easy to find.

All other registers/required documents were maintained in accordance with legislative requirements, however if there was nothing to disclose, nothing was found on the website.

## RECOMMENDATIONS

---

A tender register that contains all legislative requirements should be prepared with reference to supportive evidence. This should be published on the Shire's website.

Many registers required by legislation did not apply to the Shire of Trayning for the FY 2023-24 however the register should still be available on the website with a notation "nothing to disclose. The primary and annual returns register should be clearly identified on the Shire's website.

The employee code of conduct was published on the website in accordance with legislation.

## SUMMARY OF RESULTS

Except where indicated, it is our opinion that the Shire of Trayning was compliant, at the time of audit, with the requirements set out in the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996*, with respect to financial management systems and procedures.

Where non-compliance was observed, recommendations for improvement have been provided to assist the Shire in meeting its obligations. Through this audit process, the Shire also meets its obligations with respect to Regulation 6, except where indicated in this report.