



# Shire of Moora

## 2024 Financial Management System Review



Independent Member of  
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INTERNATIONAL





Independent Member of  
**BKR**  
INTERNATIONAL

25 February 2025

**Mr Gavin Robins**  
**Chief Executive Officer**  
**Shire of Moora**  
**34 Padbury Street**  
**MOORA WA 6510**

Dear Gavin

#### **2024 FINANCIAL MANAGEMENT SYSTEMS REVIEW**

We are pleased to present the findings and recommendations resulting from our Shire of Moora (the “Shire”) Local Government (Financial Management) Regulation 1996, Financial Management System Review.

The primary objective of our Financial Management System Review was to assess the adequacy and effectiveness of systems and controls in place within the Shire of Moora; in accordance with our proposal.

We would like to thank you, Geize Teixeira and the finance team for their co-operation and assistance whilst conducting our review.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact Darshita Kerai or myself.

Yours sincerely  
**AMD Chartered Accountants**



**MARIA CAVALLO FCA**  
**Director**

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### Inherent limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by the Shire of Moora management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with the Shire of Moora. The review findings expressed in this report have been formed on the above basis.

### Third party reliance

This report was prepared solely for the purpose set out in this report and for the internal use of the management of the Shire of Moora. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for the Shire of Moora's information and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review report has been prepared at the request of the Shire of Moora's Chief Executive Officer or its delegate in connection with our engagement to perform the review. Other than our responsibility to the Council and management of the Shire of Moora, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Moora's external auditor, on this review report. Any reliance placed is that party's sole responsibility.

## 1. Executive Summary

### 1.1. Background and Objectives

The primary objective of our Financial Management System Review (FMSR) was to assess the adequacy and effectiveness of systems and controls in place within the Shire.

The responsibility of determining the adequacy of the procedures undertaken by us is that of the Chief Executive Officer (CEO). The procedures were performed solely to assist the CEO in satisfying his duty under Section 6.10 of the Local Government Act 1995 and Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Our findings included within this report are based on the site work completed by us on 20<sup>th</sup> of January 2025 to 22<sup>nd</sup> January 2025. Findings are based on information provided and available to us during and subsequent to this site visit.

### 1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 2 – Collection of money;
- Section 3 - Custody and security of money;
- Section 4 - Maintenance and security of the financial records;
- Section 5 - Accounting for municipal or trust transactions;
- Section 6 - Authorisation for incurring liabilities and making payments;
- Section 7 - Maintenance of payroll, stock control and costing records; and
- Section 8 - Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 8, we are pleased to report that in context of the Shire's overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with better practice.

The following tables provide a summary of the findings raised in this report:

	Significant Risk	Moderate Risk	Minor Risk
Number of new issues reported	3	10	7

For details on the review rating criteria, please refer to Section 9.

Ref	Issue	Risk Rating
<b>2. Collection of money</b>		
2.2.1	<b>Independent Review of Rate Notices</b> Rate notices completed by the Shire's external rate contractor are not independently reviewed.	Significant
<b>3. Custody and security of money</b>		
3.2.1	<b>End of Day Receipting Procedures</b> Sample testing identified four exceptions in respect to end of day receipting procedures.	Minor
<b>4. Maintenance and security of financial records</b>		
4.2.1	<b>Information Technology / Cyber Security Assessment</b> Enhancements were identified regarding the Shire's IT and cyber security processes, procedures and policies including: <ul style="list-style-type: none"> <li>• Lack of an approved Business Continuity / Disaster Recovery plan;</li> <li>• No IT Risk register in place;</li> <li>• Lack of cyber related policies, plans, procedures and vulnerability testing;</li> <li>• Lack of various IT policies and procedures.</li> </ul>	Significant
4.2.2	<b>Key Security and Registers</b> Enhancements were identified in respect of the Shire's processes regarding key security and maintenance of key registers.	Moderate
<b>5. Accounting for municipal or trust transactions</b>		
5.2.1	<b>Monthly Reconciliations</b> Month end reconciliations were not consistently signed as evidence of independent review each month. There is no updated monthly reconciliation checklist utilised.	Moderate
5.2.2	<b>Investments</b> The investment policy was last updated in 2016. No investment strategy/plan in place. No formal procedures in place for reinvesting term deposits.	Moderate
5.2.3	<b>Fixed Asset</b> No portable asset register maintained. No regular asset stocktake completed.	Minor
5.2.4	<b>Insurance</b> Insurance review not independently reviewed. Insurance claims register not updated since 2022.	Minor
<b>6. Authorisation for incurring liabilities and making payments</b>		
6.2.1	<b>Post Tender Performance Evaluation</b> No formal post tender / service contract performance evaluation process for major contracts and services.	Moderate
6.2.2	<b>Purchasing and Credit Card Exceptions</b> Enhancements were identified in respect of the Shire's processes regarding purchasing and credit cards.	Moderate
6.2.3	<b>Purchasing Policy and Delegations Register</b> Updates required to the Shire Purchasing Policy and Delegations Register.	Moderate

Ref	Issue	Risk Rating
6.2.4	<b>Asset Capitalization and Depreciation Policy</b> No documented asset capitalisation or depreciation policy in place.	Moderate
6.2.5	<b>Petty Cash Policy</b> No petty cash policy in place.	Minor
<b>7. Maintenance of payroll, stock control and costing records</b>		
7.2.1	<b>Payroll Exceptions</b> Sample testing identified exceptions in respect to human resource policies and payroll procedures.	Moderate
7.2.2	<b>Fuel Cards</b> Enhancements were identified in respect of the Shire's processes regarding fuel cards and fuel usage analysis.	Moderate
7.2.3	<b>Depot Security</b> Suggestion for consideration regarding Shire Depot access and consumable inventory controls.	Minor
7.2.4	<b>Works Costing and Private Works</b> Lack of documentation to support approval of works costing percentage allocations completed by external accountant. No private works policy in place.	Minor
<b>8. Preparation of budget, budget reviews, accounts and reports required by Regulations</b>		
8.2.1	<b>Legislative Non-Compliance</b> Testing identified various non-compliance with the Local Government Act and associated Regulations.	Significant
8.2.2	<b>Shire Policies and Risk Framework</b> Policies and procedures manual is out of date No comprehensive risk management policy in place including lack of maintaining a risk register.	Moderate
8.2.3	<b>Councillors and Elected Members Code of Conduct</b> Last updated on 17 March 2021.	Minor

## 2. Collection of money

### 2.1. Scope and approach

We completed a site visit to the Moora Administration Office and reviewed internal controls relating to collection of money.

During the site visits we:

- Documented internal controls, procedures and reconciliations in relation to all sources of income;
- Counted petty cash and float on hand ensuring materially correct;
- Reviewed fees and charges schedule and ensure adequate internal controls in place over receipting;
- Tested collection, receipting, invoicing and posting procedures over cash receipts on a sample basis; and
- Reviewed credit control procedures in respect to sundry debtors and rate debtors.

### 2.2. Detailed findings and recommendations

#### 2.2.1 Independent Review of Rate Notices

*Finding Rating: Significant*

We noted rates invoicing is managed by an external rates contractor, who will update the rating system once the rateable amounts have been set through the budget approval process. Following this update, the contractor sends an email to the front desk for printing and distribution of rate notices to residents. These rate notices are not independently reviewed by Shire management.

In addition, interim rates notices issued by the external rates contractor following receipt of revised valuations from Landgate are also not independently reviewed by Shire management.

#### Implication / Risks

The lack of management review over rate notices increases the risk of errors, misstatements, and potential non-compliance with regulations. Without oversight, incorrect rates may be issued to residents leading to financial discrepancies.

An example of this occurred during the issuing of the Shire's 2023/2024 rate notices whereby the rate used for rating category Unimproved Value – Rural was lower than the rate adopted by Council on the 16 August 2023 resulting in a revenue shortfall of in excess of \$800,000.

#### Recommendation

We recommend a management review process be implemented to ensure that the rate notices issued by the Shire are reflective of the rates adopted by Council through the budget adoption process and any subsequent updated valuations received.

#### Management Comment

The Shire of Moora is undergoing structural and management reform that will result in the rate officer becoming an integrated part of the finance team. This will enable the review of rate outputs by either a Shire staff member or contractor to be reviewed as a process in the annual budget cycle. The Shire agrees that a management process should be implemented to review any external contractor work.

**Responsible Officer: Manager Financial Services**

**Completion Date: 25 February 2025**

### **3. Custody and security of money**

#### **3.1. Scope and approach**

- Conducted site visits of cash collection points to review the controls and procedures over the collection, receipting, recording and banking of cash collected offsite;
- Sites visited includes the Administration Office. We also discussed, documented and tested cash collection controls and procedures in respect to the swimming pool with the Customer Service Officer; and
- Reviewed the security of cash and banking procedures to ensure the appropriate controls and procedures are in place.

#### **3.2. Detailed findings and recommendations**

##### **3.2.1 End of Day Receipting Procedures**

###### ***Finding Rating: Minor***

Our testing of daily banking procedures on a sample basis identified four instances (out of twenty samples tested) where the daily takings were not deposited into the Shire's Municipal account by the next working day (occasionally in excess of a week from receipt).

###### **Implication**

Risk error or fraud may not be detected on a timely basis.

###### **Recommendation**

We recommend banking be completed by the next working day.

###### **Management Comment**

Due to the limited scope of banking services available in the town of Moora, it is not always possible to undertake daily banking. It is not uncommon for the bank to be closed due to its own staffing issues, which prevents the Shire from depositing daily takings into its Municipal account. The Shire is seeking an alternative banking provider that can provide a daily service.

###### **Responsible Officer: Manager Financial Services**

**Completion Date: 25 February 2025**

## 4. Maintenance and security of the financial records

### 4.1. Scope and approach

- Reviewed information technology systems to assess physical security, access security, data backups, contingency plans, compliance and systems development; and
- Reviewed registers maintained (including key register, tender register, gifts and travel registers etc.) and Council minutes.

### 4.2. Detailed findings and recommendations

#### 4.2.1 Information Technology / Cyber Security Assessment

**Finding Rating: Significant**

Our observations and enquiries in respect to information technology (“IT”) and cyber security identified the following:

- There is no approved IT Business Continuity and disaster recovery plan in place;
- There is no IT risk register in place;
- There is no cyber security response plan in place;
- There is no IT policy / Cyber security policy in place;
- Vulnerability assessment and penetration testing have not been performed as part of the cyber security risk assessment process;
- There is no policy in place governing the physical access and logical access to IT applications;
- There is no formal change management policy in place which is crucial for controlling and tracking changes to IT Systems and infrastructure;
- There are no written policies on IT Usage;
- There is no policy on disposing IT equipment; and
- Users are not prompted to change their login passwords on a regular basis.

#### Implication / Risks

- Without an appropriate plan in place, the Shire may not be sufficiently prepared to act in the event of a cyber security threat or staff may not be aware of processes that should be followed. This may lead to the Shire's system being compromised, impacts on service delivery, unauthorised access to sensitive information, and potentially financial loss to the Shire;
- Lack of adequate risk assessment identification, evaluation and mitigating internal control processes in relation to Information Technology and cyber security risks;
- The absence of clear IT policies/ Cyber security policy exposes organisations to security risks, data breaches and inefficiencies;
- Failure to conduct Vulnerability Assessment and Penetration testing leaves the shire unaware of potential security vulnerabilities, increasing the risk of cyber attacks and data breaches with potential consequential impact to operations;
- The absence of policies for physical and logical access to the Shire's IT applications and infrastructure poses a significant security risk, potentially increasing the risk of unauthorised individuals gaining access to sensitive information and systems;
- The absence of a formal change management policy makes it difficult to track and control changes to IT systems and infrastructure, increasing the risk of unintended consequences and disruptions to operations;

- Lack of an IT Usage Policy increases the risk of the resources not being aligned to the business strategy and priorities. Increased risk of misuse of the entity's IT resources; and
- Risk of unauthorised personnel gaining access to Shire's information.

### **Recommendation**

We recommend:

- Implementing an IT Disaster Recovery Plan and Business Continuity Plan as soon as practical. Once implemented and communicated to staff, we recommend the entity develop a process to test and evaluate the IT Disaster Recovery Plan to ensure it is adequate and will effectively mitigate disruption in the event of unforeseen circumstances. The plan should also address the storage and testing of IT system backups;
- A comprehensive risk identification, evaluation and mitigation process be undertaken to ensure all potential risks associated with Information technology, specifically cyber security are considered and documented. Subsequently we recommend the risk register be updated to include specific Information Technology and cyber security risks such as ransomware breaches, data breaches due to phishing emails, general data breaches, reputational damage and related media which may be required in the event of a cyber security breach etc;
- A cyber security plan should be developed, including ( but not limited to) covering the following key areas:-
  - Risk assessment of the Shire's IT security control environment;
  - Identification of safeguards and protections in place; and
  - Action plan in the event of a cyber security event, including outlining the roles and responsibilities of staff during such an event
- Establish and implement an IT policy/cyber security policy;
- Conduct regular Vulnerability Assessment and Penetration testing to identify and address potential security vulnerabilities;
- Establish policies and procedures for physical and logical access control to safeguard sensitive information and systems from unauthorised access;
- Establish and implement a formal change management policy to track and control changes to IT systems and infrastructure, minimising potential disruptions; and
- Systems used by Shire be set up to prompt users to change their passwords on a regular basis.

### **Management Comment**

The Shire has enrolled in the State Government sponsored Cybersecurity Pilot Program through the Department of Local Government, Sport, and Cultural Industries. Most of the findings above are addressed by the pilot program.

Management does not believe that implementing a formal change management policy would significantly impact IT system and infrastructure security due to the natural limits of capability, capacity and scale within the region.

IT policies are currently under development and review, with updates expected by 30 June 2025. This includes policies on IT usage and IT equipment disposal.

IT consultants have advised that regularly changing login passwords may not be as effective as multi-factor authentication (MFA), which has been in place since 2023, however this is still under active discussion.

**Responsible Officer: Deputy Chief Executive Officer**

**Completion Date: 25 February 2025.**

#### 4.2.2 Key Security and Registers

*Finding Rating: Moderate*

Our observations and enquiries indicated the following in respect to key security and key registers:

- There is no documented procedure/policies in place relating to access of motor vehicles, machinery, keys at the Depot and the Administration Office;
- The keys at the depot are not locked therefore accessible by anyone;
- There is no key register or sign in/sign out listing maintained at the Shire Depot recording access of keys and use of Shire vehicles;
- Keys at the Administration Office are kept in an open safe throughout the day with any employee physically able to access; and
- The electronic key register at the Administration Office is saved on the shire's T-Drive which is accessible by all staff.

#### Implication / Risks

- Increased risk of theft and misuse of Council property.
- Risk of potential unauthorised access to Shire assets.

#### Recommendation

We recommend:

- A documented procedure/policy be developed and implemented relating to the access of motor vehicles, machinery and keys at the Depot and Administration Office;
- Depot keys be secured and locked in a cabinet restricting access to only authorised personnel;
- A depot key register or sign in/sign out listing be maintained;
- Keys maintained at the Administration Office be stored in a lockable cabinet to ensure access is restricted to authorised personnel only; and
- The electronic key register be accessible and able to be edited by authorised personnel only.

#### Management Comment

All employees at the Shire are authorised to access keys for plant operations as needed. Storing keys in a locked safe is impractical, as it would require universal access.

To improve key security at the works depot, the lunchroom door—where the keys are kept—could be locked. Since all employees requiring vehicle keys already have access to the lunchroom, this measure would enhance security without restricting necessary access.

A register could be placed at the key cabinet to ensure that keys are signed in and out as required, effectively addressing the key register issue. Additionally, if not already in place, a key and vehicle procedure policy could be implemented to formalize the process.

At the admin office, a key register is already maintained within the vehicle key cabinet. The cabinet key can be held by multiple managers to facilitate controlled access.

Regarding the electronic key register on the T drive, it may be beneficial to trust our staff while maintaining accountability through proper logging procedures.

**Responsible Officer: Manager Engineering Services**

**Completion Date: 24 March 2025**

## 5. Accounting for municipal or trust transactions

### 5.1. Scope and approach

- Reviewed all monthly reconciliations including bank, sundry debtors, sundry creditors, fixed assets, rates debtors and rateable value reconciliations ensuring correctly reconciled and reviewed;
- Reviewed and tested in detail most recent municipal and trust bank reconciliations prepared;
- Reviewed processes in respect to BAS, FBT Return and other statutory returns preparation;
- Reviewed use of reserve funds and determined whether changes in reserve purposes have been budgeted or public notice was provided;
- Reviewed self-supporting loan transactions ensuring debtor invoices raised in accordance with payment schedule;
- Reviewed trust ledger balances;
- Reviewed policies and procedures in respect to insurance, recording claims and insuring newly acquired assets; and
- Reviewed policies and procedures related to investment strategy and investment review processes.

### 5.2. Detailed findings and recommendations

#### 5.2.1 Monthly Reconciliations

**Finding Rating: Moderate**

Our observations and enquiries indicated the following in respect to monthly reconciliations:

- The debtors reconciliations and trial balance are not reviewed and signed by the reviewer;
- The creditors reconciliations are not reviewed and signed by the reviewer;
- The rates debtors and rates valuation reconciliation are prepared externally however not reviewed by the Shire;
- The asset reconciliations are prepared externally however not reviewed by the shire;
- The fuel reconciliations are neither signed by the preparer nor reviewed;
- Out of the 18 months bank reconciliations obtained and tested throughout the review period, we noted the following:-
  - 4 instances where the bank reconciliations were signed by the reviewer but not dated;
  - 2 instances where the reconciliations were neither reviewed, signed, nor dated by the reviewer; and
  - An instance where the reconciliation was not signed or dated by either the preparer or the reviewer;
- The monthly reconciliation checklist provided is dated 2020 and has not been updated/used since; and
- The following key balance sheet reconciliations are not currently prepared on a monthly basis:-
  - Provision for employee leave;
  - Loans / SSL; and
  - Investments.

#### Implication / Risks

- Risk of material misstatement or error not detected on a timely basis; and
- Deficiency in internal controls, increasing the likelihood of unauthorized transactions or fraud.

## Recommendation

We recommend:

- Key account reconciliations, as a critical internal control, be independently reviewed, signed, and dated by the reviewer each month when prepared;
- The monthly reconciliation checklist be updated and used during the month end reconciliation process;
- Training be provided to staff involved in key monthly reconciliations to ensure compliance with financial management regulations and best practices; and
- Key balance sheet reconciliations be prepared at month end for those accounts not currently completed as identified above including independent review and sign off.

## Management Comment

Key accounting reconciliations have been independently reviewed since August 2024, following the appointment of the new Manager of Financial Services.

To ensure compliance with financial management regulations, a monthly reconciliation checklist has been implemented.

Starting July 1, 2025, key balance sheet reconciliations—including loans, investments (where applicable), and provisions for employee leave—will be incorporated into the monthly reconciliation process.

**Responsible Officer: Manager Financial Services**

**Completion Date: 25 February 2025**

### 5.2.2 Investments

#### *Finding Rating: Moderate*

Our observations and enquiries indicated the following with respect to investments:-

- The shire's investment policy was last update in 2016;
- There is no investment strategy/plan in place; and
- There are no formal procedures in place for reinvesting term deposits (i.e. no supporting documentation was available for investment rollovers selected for testing), resulting in non-compliance with the criteria outlined in the investment policy.

#### **Implication / Risks**

- Outdated policies may not reflect the actual practices followed by the Shire; and
- An investment strategy/plan is crucial to aligning the investments with the business objectives. The absence of an investment strategy hinders the Shire's ability to make informed decisions potentially leading to inefficiencies and missed opportunities.

#### **Recommendation**

We recommend:

- The investments policy be reviewed and updated to reflect the current practices in place and reflect the Shire's investment strategies which are aligned to the Shire's risk framework including risk appetite;
- Establish and implement an investment strategy to guide critical decisions and initiatives, aligning them with the Shire's overall business objectives; and
- Formal procedures be implemented to ensure investment decisions are made in accordance with the investment policy / strategy with supporting documentation maintained.

#### **Management Comment**

The Shire is undergoing the filling workforce gaps to create greater align of its functional requirements, develop and implement relevant policies, procedures, and best practices for the organisation.

A new Deputy Chief Executive Officer (DCEO) has been appointed and briefed on the importance and priorities of these procedures. As with other regional Shires, the recruitment pool of potential candidates for various Shire vacancies is very limited. The reality faced by this Shire is a workforce and operational environment of continuous churn and pursuit of capability and capacity.

**Responsible Officer: Manager Financial Services / Chief Executive Officer**

**Completion Date: 25 February 2025**

### 5.2.3 Fixed Asset

#### *Finding Rating: Minor*

Our observations and enquiries identified the following:

- There is no portable asset register maintained by the Shire; and
- There is no review of obsolete fixed assets or assets no longer in use undertaken.

#### **Implication / Risks**

- Increased risk of asset misplacement, theft or unauthorised use.
- Risk of misstatement of asset values.

#### **Recommendation**

We recommend:

- A portable asset register be maintained to ensure adequate tracking and accountability of all Shire assets; and
- An asset stocktake be undertaken on a regular basis to verify their condition with any obsolete or non-functional assets being impaired or written off as required.

#### **Management Comment**

The Shire is implementing a portable asset register which is expected to be launched in time for a 1 July 2025 commencement. Additionally, regular asset stocktakes will be conducted in accordance with recommendations.

**Responsible Officer: Manager Financial Services**

**Completion Date: 25 February 2025**

#### 5.2.4 Insurance

##### *Finding Rating: Minor*

We noted:

- The 2024 insurance review was completed by the Manager of Infrastructure Services however was not independently reviewed by the CEO or alternative senior member of staff; and
- The insurance claims register was last updated in 2022 financial year, thereby resulting in new claims received during the 2024 financial year not being recorded.

##### **Implication / Risks**

Without proper review, insurance coverage may be insufficient or incorrect, exposing the local government to financial loss in case of claims.

##### **Recommendation**

We recommend:

- The CEO or alternate senior member of staff review the annual insurance review to ensure sufficient coverage is maintained; and
- An insurance claims register be promptly updated whenever a new claim is received allowing for appropriate claim monitoring processes to be implemented.

##### **Management Comment**

The Shire agrees with the auditors' recommendation that the CEO or an alternate senior staff member should review the annual insurance schedule and will implement this in the next engagement. However, it is incorrect to say or imply that the annual insurance schedule is not reviewed. As part of the assessment of risk and proposal by LGIS each year, the CEO and one other officer, in addition to the Manager Infrastructure review the LGIS risk classes and cover prior to the acceptance of the policy proposal and authorisation of the premium payment.

The Shire has also updated the claims register in light off its claims experience and will review it at first points to ensure it remains up to date and aligned with best practice.

**Responsible Officer: Manager Financial Services – Geize Teixeira/ Manager of Infrastructure Services – Dawn Ardley**

**Completion Date: 25 February 2025**

## 6. Authorisation for incurring liabilities and making payments

### 6.1. Scope and approach

- Reviewed controls and procedures over the authorisation of purchase orders and approval of payments;
- Tested sample of payments to ensure compliance with stated procedures;
- Reviewed credit card processes and procedures, and testing transactions on a sample basis;
- Reviewed petty cash processes and procedures, and testing transactions on a sample basis;
- Completed sample testing of asset additions and asset disposals;
- Reviewed asset capitalisation and depreciation policy and ensure compliance with stated policies; and
- Reviewed new loans received ensuring budgeted for or public notice provided.

### 6.2. Detailed findings and recommendations

#### 6.2.1 Post Tender Performance Evaluation

**Finding Rating: Moderate**

We noted the Shire does not have a formal post tender / service contract performance evaluation process for major contracts and services.

#### Implication

Lack of formalised documentation evidencing tender performance assessment.

#### Recommendation

WALGA best practice guidelines recommend formal performance management assessments be completed at the end of the tender period once goods or services have been tendered. We recommend the Shire to develop and implement a formal post tender service contract performance evaluation process. We suggest it may be useful for the process to include standard a contract compliance checklist, in particular for the monitoring of ongoing service contracts.

#### Management Comment

The Shire supports the recommendation of a post tender contract performance evaluation process to ensure contract compliance. It recognises the value of a structured compliance checklist and how its implementation would play a crucial role in standardizing ongoing contract monitoring.

**Responsible Officer: Manager Financial Services**

**Completion Date: 25 February 2025**

### 6.2.2 Purchasing and Credit Card Exceptions

#### *Finding Rating: Moderate*

Our sample testing identified the following exceptions with respect to purchasing, payment and credit card internal controls:

- The credit card policy has not been updated since 2018;
- The manager of corporate services has a credit card however the current policy does not list this position as an approved credit card holder;
- The key contact person with the bank for credit card statements is the previous CEO who left on 5 July 2022;
- Credit card agreements with card holders are not obtained by the Shire;
- An instance where the credit card statement has not been signed as evidence of independent review;
- Two instances where invoices / receipts were not retained for expenditure on the credit card; and
- Two instances where the purchase order was dated post invoice date.

#### **Implication**

- The outdated credit card policy may lead to non-compliance with current financial management and governance requirements.
- Inconsistent policies and outdated contact information can lead to increased risk of fraud, errors, or financial mismanagement, in particular with no clear process for approving or monitoring card usage.
- Increased risk of misstatement, fraud or error, and increased risk of misuse of Shire credit cards.
- Risk of fraud or error in respect to incurring expenditure.

#### **Recommendation**

We recommend:

- The credit card policy be updated to ensure it aligns with current practices and includes details of approved credit card holders;
- The key bank contract for credit card statements be updated;
- Credit card agreements be prepared and signed by all individuals who hold the credit cards, clearly define terms of use and their responsibilities;
- All credit cards statements be signed by the employee and the reviewer;
- All invoices / receipts be retained for expenditure on credit cards; and
- Purchase orders be completed prior to incurring expenditure with exception of utilities and regular payments.

#### **Management Comment**

Management is currently reviewing procedures and policies for credit card usage and developing credit card terms of use agreements for card holding officers. This review will also incorporate purchase orders, invoices, and receipts related to credit card transactions.

**Responsible Officer: Manager Financial Services**

**Completion Date: 25 February 2025**

### 6.2.3 Purchasing Policy and Delegations Register

#### *Finding Rating: Moderate*

We noted the purchasing policy includes details of staff who have been made redundant therefore it is not consistent with the delegations register.

Furthermore, the delegations register does not include the Manager of Corporate Services and Manager of Finance who have delegations.

#### **Implication**

Purchasing policy and Delegations Register not aligned and reflective of Council approved delegations.

#### **Recommendation**

We recommend:

- The purchasing policy be amended to include set delegation limits for authorities who are approved to authorise purchase orders; and
- The delegations register be updated to reflect the current practices and ensure it is consistent with the purchasing policy.

#### **Management Comment**

The purchasing policy is currently under review, while the Delegations Register has been reviewed and updated and is pending endorsement by Council.

**Responsible Officer: Manager Financial Services**

**Completion Date: 25 February 2025**

#### **6.2.4 Asset Capitalisation and Depreciation Policy**

##### ***Finding Rating: Moderate***

We noted there is no documented asset capitalisation policy or depreciation in place.

##### **Implication**

Without a clear policy, assets may be incorrectly classified or depreciated, potentially resulting in inaccurate financial statements, regulatory non-compliance and potential audit findings.

##### **Recommendation**

We recommend an Asset Capitalisation and Depreciation Policy be established to ensure consistent classification, valuation, and depreciation of assets in accordance with accounting standards and regulatory requirements. This policy will enhance financial reporting accuracy, support effective asset management, improve budgeting and decision-making.

##### **Management Comment**

The Shire agrees with the recommendation; however, due to a lack of workforce, we are currently unable to develop the entire suite of policies and guidelines. While we recognise and do not underestimate the importance of an Asset Capitalisation and Depreciation Policy, we currently rely on AASB 116 and our accounting services provider to provide guidance in respect of best practices.

**Responsible Officer: Manager Financial Services / Manager Infrastructure Services**

**Completion Date: 25 February 2025**

### 6.2.5 Petty Cash Policy

*Finding Rating: Minor*

Our testing identified there was no petty cash policy in place and upper limits are not set on the amount to be retained as petty cash.

#### **Implication**

Increased risk of fraud or misuse of petty cash funds.

#### **Recommendation**

We recommend a formal petty cash policy be documented and implemented defining upper limits on amounts retained, establishes clear guidelines for usage and approval, and ensures regular reconciliation and oversight to mitigate the risk of misuse, fraud, and non-compliance.

#### **Management Comment**

The petty cash float amount is minimal and was not used in the past financial year. The Shire is considering excluding petty cash from operations in 2025/26 Financial year and beyond.

**Responsible Officer: Manager Financial Services**

**Completion Date: 25 February 2025**

## 7. Maintenance of payroll, stock control and costing

### 7.1. Scope and approach

- Completed site visit to the Depot including the fuel bowers to review security over stocks held and allocation / costings of stocks used (including fuel and inventory stocks);
- Reviewed of the allocation of public works overheads, plant operating costs and administration overheads completed;
- Reviewed payroll controls and procedures to ensure effective controls are in place, and complete tests on a sample basis to ensure these controls were operating effectively;
- Reviewed procedures and policies in place in respect of human resource management legislative and compliance requirements, recruitment, performance appraisal, disciplinary and termination procedures and leave entitlements;
- Reviewed listing of leave taken by employees ensuring authorised leave forms completed; and
- Reviewed annual leave balances and identify employees with more than eight weeks annual leave.

### 7.2. Detailed findings and recommendations

#### 7.2.1 Payroll Exceptions

*Finding Rating: Moderate*

Our sample testing identified the following: -

- Staff performance reviews are not performed on an annual basis for all employees;
- Pay review and increase letters were previously signed by the Manager of Corporate Services instead of the CEO (we understand the CEO has now commenced signing this communication);
- Termination checklist is not completed when an employee either resigns or is terminated; and
- Eight employees with excess of 8 weeks annual leave (300 hours) at the time of our review.

#### Implication

- Risk employee performance is not appropriately recognised and/or underperformance addressed.
- Risk that employee training and development needs are not identified.
- The absence of CEO approval for pay review/increase letters poses risks of non-compliance with governance and lack of proper authorisation.
- Risk that tasks required to be undertaken and following an employee's departure are not completed on a timely basis.
- The cost to the shire is greater if leave is not paid on a regular basis due to the cumulative effect of salary increasing over a period of time. In addition, recreational leave enhances employee performance, and it is a fundamental principle of good internal control that all employees take regular leave.

#### Recommendation

We recommend:

- Employee performance reviews be conducted on a regular basis and documented on employee files, at a minimum annually;
- The CEO approve the pay reviews and sign the pay increase communication letters;
- The Shire complete a termination checklist when an employee resigns or is terminated and the checklist to be signed by the preparer and reviewer; and

- The Shire manage and monitor the excessive leave balances to reduce the liability, risk of business interruption and potential fraud.

**Management Comment**

The Shire supports the above recommendations.

Due to staff turnover, hiring of staff new to Local Government and continual understaffing, performance reviews have not been routinely undertaken. Each manager has been advised that this is a requirement regardless of the time an officer is employed.

Following the resignation of the former Manager Corporate Services (MCS) and the appointment of a replacement, it was noted that the former MCS had undertaken and signed unauthorised Wage Review letters. This matter was rectified in 2023 and since that time, no variation to the terms and condition of employment of any staff member can be proceeded without the authorisation of the CEO.

The termination procedure, including the termination checklist, also ceased by the former MCS, was reinstated and includes updated procedures and termination checklists as part of the termination process.

The Shire's understanding of the issues and risks associated with excessive leave entitlements is sound. These balances are the result of chronic understaffing and ongoing vacancies. Recruitment for the outdoor work crew, which comprises the larger proportion of Shire staff, has been the most difficult. Most of those employees are long-term employees who have accrued leave over a long period. Recent staff appointees are encouraged to take leave when due and sequenced by their manager. An emphasis is placed on staff clearing accrued leave progressively in concert with the facilitation by their managers. Cashing out of accrued leave will remain an option, although this relies on the consent of the staff member concerned.

All employees are encouraged to clear their excessive leave balances by negotiating leave periods with their managers according to lighter workload periods.

While the correct termination procedure is responsibility of the Manager Corporate Services and HR Officer, improving the regular occurrence of performance reviews and decreasing the risk of excessive leave balances will be a shared a responsibility between the Manager Corporate Services and Deputy Chief Executive Officer.

**Responsible Officer: Manager Corporate Services**

**Completion Date: 6 March 2025**

### 7.2.2 Fuel Cards

#### *Finding Rating: Moderate*

Our testing identified the following with respect to fuel cards:-

- There is no fuel card policy;
- There are no fuel card agreements in place;
- There is no fuel card register maintained; and
- Fuel usage is not analysed and reported.

#### **Implication**

Increased risk of fraud or error in respect to fuel usage.

#### **Recommendation**

We recommend:

- A formal documented fuel card policy or procedure be developed and implemented;
- Fuel card holders sign an agreement with the Shire outlining their acknowledgements of acceptable use of the fuel card in accordance with the stated policy. This agreement should also outline procedures relating to when a cardholder is on extended leave or absence from the Shire;
- A fuel card register be created and maintained to monitor fuel transactions and ensure accountability; and
- Fuel usage be regularly analysed and reported to the council for transparency and oversight.

#### **Management Comment**

The Shire is implementing a Fuel Card Policy, along with a fuel card holder agreement. Increased analysis and reporting of fuel usage are performed monthly, and exceptional usage only is reported to Council.

**Responsible Officer: Manager Financial Services**

**Completion Date: 25 February 2025**

### 7.2.3 Depot Security

#### *Finding Rating: Minor*

Our observations and enquiries during our Shire Depot site visit identified the following:

- The Shire Depot gates are opened in the morning and remain unlocked and open for the duration of the day resulting in open access to the Depot including machinery parts located within an open shed (with no gates); and
- Consumables at the Depot are not counted (with exception of fuel stocks) and there are currently no inspections conducted for assets that are no longer in working condition.

#### **Implication**

- Risk of potential unauthorised access to Shire assets.
- Risk of potential overstatement of assets.

#### **Recommendation**

We recommend:

- Consideration be given to the Shire Depot access during the day, including items of high value or susceptibility of theft; and
- Regular inventory counts for consumables be conducted to ensure appropriate inventory monitoring, identification of non-working items, and accurate financial reporting.

#### **Management Comment**

Management will assess staff access to and usage of equipment at the depot and evaluate a suitable approach to track this usage.

**Responsible Officer: Works Supervisor – Trevor Longman**

**Completion Date: 25 February 2025**

#### 7.2.4 Works Costing and Private Works

##### *Finding Rating: Minor*

Our observations and enquiries indicated:-

- Works costing allocation are completed by the Shire's external accountant with approval being granted by the Manager of Engineering on the final allocation percentage to be utilised. This approval is verbal and not formally written; and
- There is no private works policy in place.

##### **Implication**

- Lack of formal documentation to support works costing allocations.
- Lack of private works policy exposes the Shire to risk of mismanagement of resources.

##### **Recommendation**

We recommend:

- Works costing and allocation percentages are approved in writing by the Manager of Engineering to maintain proper documentation and accountability; and
- A formal private works policy be developed and implemented which outlines clear procedures, responsibilities, and guidelines for managing private works to ensure consistency, compliance, and effective resource management.

##### **Management Comment**

The Shire of Moora undertakes minimal private works, as it has a full book of Shire oriented works and as several local contractors are available to perform most tasks. All private works conducted by the Shire are charged according to the Plant Hire Rates set out in the Shire budget. Cost allocations for these works are reviewed annually by the Manager of Engineering Services and are not determined solely by the Shire's external accountant. Records of work cost allocations are stored in the T drive under: Depot → Private Works → [Year].

**Responsible Officer: Manager of Engineering Services**

**Completion Date: 24 March 2025**

## 8. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations

### 8.1. Scope and approach

- Reviewed policy and procedure manual;
- Reviewed the procedures for preparation of the monthly financial statements, annual financial statements and annual Budget, including assessment of accounting policy, notes and applicable reporting requirements and efficiency of the process;
- Reviewed monthly financial statements ensuring presented to Council within two months and information contained within monthly financial statements in accordance with Regulation 34 of Local Government (Financial Management) Regulations 1996;
- Reviewed the mid-year budget review to ensure compliance with Regulation 33A of the Local Government (Financial Management) Regulations 1996 and assessment of budgetary expenditure controls in place;
- Ensured prior year audit report and management letter have been presented to audit committee and Council; and
- Reviewed compliance with Part 6 of the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.

### 8.2. Detailed findings and recommendations

#### 8.2.1 Legislative Non-Compliance

##### *Finding Rating: Significant*

We identified the following legislative non-compliance:

- Audit Regulation 17 review as required by section 17(1) of the *Local Government (Audit) Regulations 1996* was due to be conducted by June 2022 however has not yet been conducted;
- The Financial Management System Review as required by section 5 of the *Local Government (Financial Management) Regulations 1996* is required to be conducted every three years. The previous review addressed the period ended 30 June 2019 with the current review conducted in January 2025 for the period ended 31 December 2024;
- A copy of the budget review was provided to the department on 29 May 2024 being 70 days after adoption by Council on the 20 March 2024 representing non-compliance with section 33A(2) of *Local Government (Financial management) Regulations 1996* which states, “within 14 days after a council has made a determination, a copy of the review and determination is to be provided to the Department;”
- Public notice for the availability of the annual report and adoption of the annual report has not been provided for the past 3 years (last completed in 2021) representing non-compliance with section 5.55 of the *Local Government Act 1995*;
- Annual reports are not published on the Shire’s website upon acceptance by the council. The most recent report available online is for the 2020/2021 financial year representing non-compliance with section 5.55A of the *Local Government Act 1995*, which states the “CEO is required to publish the annual report on the official website within 14 days of its acceptance by the local government;”
- The annual report was submitted to the Department on the 21 January 2025, being 33 days after receiving the audit report (dated 19 December 2024). Regulation 51(2) of the *Local Government (Financial Management) Regulations 1996*, required the financial report be submitted to the Department within 30 days of receiving the audit report; and

- The complaints register published on the Shire's website has not been updated representing non-compliance with section 5.121 of the *Local Government Act 1995*.

**Implication / Risk**

- Non-compliance with *Local Government (Audit) Regulations 1996 section 17(1)*, *Local Government Act 1995* and *Local Government (Financial management) Regulations 1996*.

**Recommendation**

We recommend a compliance calendar be established and responsibility be delegated to a member of staff to ensure legislative reporting obligations and deadlines are met.

**Management Comment:**

The Shire has established a compliance calendar, which is currently being updated by an Administration Officer with prior compliance experience from another local government authority. This work is being further supported by engaging with a "smart sheet" work management and collaboration tool to enhance project tracking, streamline workflows, and ensure compliance with deadlines. This platform can help teams manage tasks, automate processes, and provide real-time visibility into project progress.

**Responsible Officer: Chief Executive Officer**

**Completion Date: 25 February 2025**

## 8.2.2 Shire Policies and Risk Framework

### ***Finding Rating: Moderate***

We noted the Shire's policies and procedures manual is out of date (last updated in 2016).

Furthermore, we noted the Shire does not have a comprehensive risk management policy or maintain a risk register.

#### **Implication / Risk**

- Risk that a policies and procedures may be out of date or require amendment.
- Lack of documentation evidencing risk management procedures and assessments.
- Without a comprehensive documented risk management policy and risk register, the Shire has exposure to risks which if unmanaged, may have an adverse impact on the achievement of organisational objectives.

#### **Recommendation**

We recommend:

- All policies be reviewed in accordance with stated review dates (no longer than once every 3-5 years depending on the nature of the policy);
- An overall Shire of Moora Risk Management Framework be developed encompassing risk policies and procedures linked to a risk register. Furthermore, we suggest the Risk Management Framework should include a litigation/claims policy, Council media release and spokesperson policy, environmental risk policy and fraud risk management policy.

#### **Management Comment:**

The Shire is currently reviewing its entire set of policies and procedures to enhance operations and align with best practices.

Some of the policies have already been updated and are available in the Shire's website.

The Deputy Chief Executive Officer (DCEO) has been delegated this body of work as a priority task.

**Responsible Officer: Chief Executive Officer**

**Completion Date: 25 February 2025**

### **8.2.3 Councilors and Elected Members Code of conduct**

#### ***Finding Rating: Minor***

We noted the Councillors and Elected Members Code of Conduct was last updated on 17 March 2021.

#### **Implication / Risk**

Risk Code of Conduct being out of date and non-compliant with legislative requirements.

#### **Recommendation**

We recommend the code of conduct be reviewed and updated according to the applicable legislations and standards.

#### **Management Comment:**

[The Shire is currently reviewing its entire set of policies and procedures to enhance operations and align with best practices.](#)

Some of the policies have already been updated and are available in the Shire's website.

[The Deputy Chief Executive Officer \(DCEO\) has been delegated this body of work.](#)

#### **Responsible Officer: Chief Executive Officer**

**Completion Date: 25 February 2025**

## 9. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation's ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation's objectives by maximising opportunities and minimising adverse effects.

Our guidance to risk classification in accordance with Risk Management- Principles and Guidelines Standard AS ISO 31000-2018 is as follows:

Risk is the probability that an event or action may adversely affect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

- Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.
- Consequence is the severity of the impact that would result if the event were to occur.

Our risk rating for each finding was based on the following table:

		CONSEQUENCES		
		Insignificant	Significant	Highly Significant
LIKELIHOOD	Low	Minor	Moderate	Moderate
	Medium	Minor	Moderate	Significant
	High	Minor	Significant	Significant

Any compliance breaches identified have been communicated within our report.