



SHIRE OF  
**HARVEY**



# Audit Committee Meeting **Attachments**

**Harvey Council Chamber**  
**Tuesday, 18 June 2024**  
**2PM**

# Audit Committee Agenda June 2024 Attachments

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# 2023 Financial Management System Review





2 May 2024

**Ms Annie Riordan**  
**Chief Executive Officer**  
**Shire of Harvey**  
**PO Box 500**  
**HARVEY WA 6220**

Dear Annie

**2023 FINANCIAL MANAGEMENT SYSTEMS REVIEW**

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

This report relates only to procedures to meet the requirements of Regulation 5(1) under the *Local Government (Financial Management) Regulation 1996* being the Financial Management System Review and does not extend to any financial report of the Shire.

We would like to thank Sunil, Andrew 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 Chelsea Gardiner or myself.

Yours sincerely  
**AMD Chartered Accountants**

A handwritten signature in black ink, appearing to read 'Tim Partridge', written over a horizontal line.

**TIM PARTRIDGE 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 Harvey 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 Shire of Harvey. 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 Shire of Harvey. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for Shire of Harvey'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 Harvey Chief Executive Officer or its delegate in connection with our engagement to perform the Financial Management System Review as required by Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*. Other than our responsibility to the Council and management of Shire of Harvey, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party.



## 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 “Review”).

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 her 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 the 5<sup>th</sup> of March to 8<sup>th</sup> of March 2024. 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 exception 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:

	Extreme Risk	High Risk	Moderate Risk	Low Risk
Number of new issues reported	0	0	5	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>Petty Cash Recoup – Harvey</b> Petty cash recoups are made up from daily till takings at the Harvey Administration Office.	Low
<b>3. Custody and security of money</b>		
3.2.1	<b>End of Day Receipting Procedures</b> We identified two exceptions in respect to end of day receipting procedures.	Moderate
3.2.2	<b>Verification of Cash on Hand</b> Two sites where staff were not aware of the standard cash on hand float balance.	Low
3.2.3	<b>Physical Security</b> Cash is left in the till at end of day at one Shire location.	Low
<b>4. Maintenance and security of financial records</b>		
4.2.1	<b>Keys Register</b> We identified areas of further enhancement with respect to internal controls associated with the key registers.	Moderate
4.2.2	<b>Tender Register</b> Enhancements were identified in respect of the Tender Register, tender processes and the post-tender review process.	Moderate
<b>5. Accounting for municipal or trust transactions</b>		
We have no findings to raise in respect to accounting for municipal or trust transactions.		
<b>6. Authorisation for incurring liabilities and making payments</b>		
6.2.1	<b>Fuel / Store Cards</b> Our enquiries indicated that there is currently no fuel or store cards register in place, nor is there a formally documented fuel and store card policy.	Low
<b>7. Maintenance of payroll, stock control and costing records</b>		
7.2.1	<b>Policies and Procedures</b> Our review identified various policies and procedures that are potentially out of date.	Moderate
7.2.2	<b>Leave Forms</b> Our sample testing of employee leave identified three instances where authorised leave forms were not retained.	Low
7.2.3	<b>Overhead and Administration Allocations</b> It was identified that the overhead and administration allocations basis has not been reviewed or updated in a number of years.	Low
7.2.4	<b>Excessive Leave Balances</b> We noted approximately 22 employees with excessive leave balances.	Low
<b>8. Preparation of budgets, budget reviews, accounts and reports required by the Act or the Regulations</b>		
8.2.1	<b>Financial Management Systems Review</b> Prior Financial Management Systems Review was carried out in 2019 which is in excess of the three year requirement.	Moderate



## 2. Collection of money

### 2.1. Scope and approach

For the following locations operated by the Shire including:

- Harvey Administration Office;
- Australind Administration Office;
- Harvey Library;
- Australind Library;
- Harvey Recreation and Cultural Centre;
- Harvey Swimming Pool;
- Leschenault Leisure Centre;
- Harvey Rubbish Tip;

We completed the following:

- Documented internal controls, procedures and reconciliations in relation to all source 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
- Review credit control procedures in respect to sundry debtors and rate debtors.

### 2.2. Detailed findings and recommendations

#### 2.2.1. Petty Cash Recoup

##### ***Finding Rating: Low***

Our review identified that the petty cash recoups processed at the Harvey Administration Office are taken from the daily till takings. This differs from other Shire of Harvey locations whereby petty cash is recouped via cheque.

##### **Implications / Risks**

Risk that omissions, errors or fraud may not be detected on a timely basis.

##### **Recommendation**

We recommend consideration be given to the petty cash recoup being processed separately from the daily banking at the Harvey Administration Office.

##### **Management Comment**

As the Bank which the Shire deals with has its branch in Eaton, Management feels that withdrawing cash from Eaton and then forwarding that cash to Harvey involves higher risk and delay in transaction processing. In future we will ensure petty cash recoups from Harvey Admin Office is processed only after the transaction is processed and approved by the coordinator finance, thereby it will reduce the risk of any omissions, errors or fraud.

**Responsible Officer:** Abdullah Mamun

**Completion Date:** 15/05/2024



### 3. Custody and security of money

#### 3.1. Scope and approach

- Site visits to cash collection points to review the controls and procedures over the collection, receipting, recording and banking of cash collected offsite; and
- Review 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: Moderate*

Our testing of end of day procedures identified two instances whereby the amount recorded as received on the daily banking reconciliation varied from the amount deposited into the Muni account, with no explanations provided. Subsequent enquiries indicated the discrepancies arose due to Muni EFTPOS machine being used, rather than the Department of Transport EFTPOS machine, and the variances were subsequently corrected and approved appropriately.

###### **Implications / Risks**

Increased risk of fraud or error occurring in respect of daily banking.

###### **Recommendation**

We recommend that where there is a discrepancy between the daily banking reconciliations and the amounts deposited into the bank account, this is identified, the reason for the discrepancy and subsequent correction/approval be noted on the daily banking reconciliation.

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

Previously the Shire Customer Service Officer sends emails to the Coordinator Finance relating the mistake and correction required, the comments by Auditors have been noted and Customer Service Officer going forward will note down the reason and amount of discrepancy on the daily banking sheet at end of every day.

**Responsible Officer:** Jo Smith

**Completion Date:** 15/05/2024

##### 3.2.2. Verification of Cash on Hand

###### *Finding Rating: Low*

Observations and enquiries made during our site visits identified no standard cash float is maintained at the Harvey Library and Harvey Swimming Pool; as a result staff were unaware of the amount of cash to be held.

###### **Implications / Risks**

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

###### **Recommendation**

We recommend that standard floats are maintained at each Shire site, relevant to the needs of the location.



**Management Comment**

The Shire will train staff to keep standard cash float at both these offices.

**Responsible Officer:** Trent Smith/Laine Brown

**Completion Date:** 31/05/2024

**3.2.3. Physical Security**

**Finding Rating: Low**

The Australind Library does not have a safe and therefore the cash is kept inside the Library office overnight in the till. The till is only cleared once per week.

**Implications / Risks**

Lack of appropriate internal controls over the security of Council funds / property.

**Recommendation**

We recommend the Australind Library consider clearing the till on a daily basis and storing the cash in a secure location other than in the till.

**Management Comment**

As the amount of cash received at Harvey Library is quite low, we are investigating if cash can be kept in the Australind Administration Office safe, at end of each day

**Responsible Officer:** Laine Brown

**Completion Date:** 31/05/2024



## 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 etc.) and Council minutes.

### 4.2. Detailed findings and recommendations

#### 4.2.1. Key Registers

**Finding Rating: Moderate**

Inquiries made during our site visits identified the following exceptions pertaining to the management of key registers:

- Harvey Recreation and Cultural Centre – no key check in/out sheet is maintained.
- No formally documented policies and procedures in place in respect of recording and issuing of Shire keys.

#### Implications / Risks

Risk of unauthorised access to / use of Shire property.

#### Recommendation

We recommend the Shire considers implementing a consistent approach to the management of keys across all Shire locations, which should include the requirement for all sites to maintain a key register and key check in/out sheet. We further recommend the Shire develop formal policies and procedures in relation to the use of Shire Keys.

#### Management Comment

The Harvey Recreation and Cultural Centre staff will introduce a key check in/out sheet going forward. An Organisational Directive to define policies and procedures relating to key management will be drafted.

**Responsible Officer:** David Marshal

**Completion Date:** 30/06/2024



#### **4.2.2. Tender Register**

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

During our review of the Tender Register and tendering processes within the Shire of Harvey, we carried out a review of two recent tenders (T022023, T082023) and identified the following exceptions:

- Shire officers present during the opening of both tenders was not recorded within the Tender Register;
- One instance where the Declarations of Confidentiality evaluation was not signed;
- For both tenders tested, conflicts of interest was not completed and signed off;
- In respect of both tenders, there was no formal documented risk assessment carried out; and
- No post tender review process completed: we understand no such process is currently in place at the Shire of Harvey.

##### **Implications/Risks**

There is an increased risk of non-compliance with the Local Government (Functions & General) Regulations 1996 and council policy. Furthermore, there is a lack of formalised documentation evidencing tender performance assessment.

##### **Recommendation**

We recommend the tender register be correctly completed to note all details and supporting documentation in respect to tenders in accordance with stated policy and with Local Government (Functions & General) Regulations 1996.

We recommend risk assessments be carried out for tenders exceeding a specified dollar value threshold, or for tenders considered to be higher risk from a community/reputational risk perspective.

We also recommend a contract performance evaluation procedure be documented, implemented through the communication to all staff and monitored on an ongoing basis to ensure compliance with stated procedures. We suggest it may be useful for the procedure to include a standard contract compliance checklist, in particular for the monitoring on ongoing service contracts.

Additionally, 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.

##### **Management Comment**

Tender Registers are now completed in accordance with stated policy and with Local Government (Functions & General) Regulations 1996. The implementation of the new suite of templates was not in place at the time of these Tenders therefore were not completed correctly to be compliant.

All Tenders moving forward are now compliant with documents completed in full.

A procurement plan document will be implemented in July 2024 which will provide a risk assessment template to complete when the planning of the Tender is in process.

A post tender review process has not been implemented. This process will be investigated by the Procurement Officer.

**Responsible Officer:** Tamara Garrett

**Completion Date:** 30/05/2024



## **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; and
- Reviewed trust ledger balances.

### **5.2. Detailed findings and recommendations**

Our review indicated key underlying policies and processes in relation to accounting for municipal or trust transactions, are in line with best practice and operating effectively.

Accordingly, we have no recommendations to raise in respect to account for municipal or trust transactions.



## 6. Authorisation for incurring liabilities and making payments

### 6.1. Scope and approach

- Reviewed controls and procedures over the authorisation of purchase orders and making 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. Fuel / Store Cards

##### ***Finding Rating: Low***

During the course of our audit, our discussion and observations indicated that there is currently no fuel or store card register in place nor is there a formally documented policy in respect of fuel and store cards.

##### **Implications / Risks**

Risk of current practices by employees of the Shire are not in accordance with current best practice.

##### **Recommendation**

We recommend a fuel and store card policy be formally documented and communicated to all staff to ensure compliance with stated policy. Additionally, we recommend a register of fuel and store cards be maintained.

##### **Management Comment**

The Shire is in the process of developing an Organisation Directive for the information of all staff members holding fuel and store cards regarding the processes to ensure effective control are in place with respect to fuel and store cards.

**Responsible Officer:** Rick Lotznicker/Sunil Chopra

**Completion Date:** 30/06/2024



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

### 7.1. Scope and approach

- Reviewed key registers maintained;
- Site visit to the Shire Depot to review security over stocks held and allocation / costings of stocks used (including fuel and inventory stocks);
- Detailed review 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. Policies and Procedures

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

We identified various policies and procedures which were not subject to review within the stated review periods or were outdated and required review:

2.4.1	Staff – Industrial Allowance	September 2019 (last review)
2.4.2	Superannuation – Matching Voluntary Contribution	September 2019 (last review)
2.4.3	Occupational Health & Safety	September 2019 (last review)
2.4.4	Acting Chief Executive Officer	March 2020 (adopted)
1.2.4	Elected Members Electronic Communication and iPad Policy	October 2011 (adopted)
1.1.9	Welcome to Country and Acknowledgement of Country	June 2019 (adopted)
3.1.2	Use of Outdoor Recreational Facilities by Clubs and Organisation	March 2020 (last review)
3.2.1	Tourism – Objectives and Policy Document Guidelines	August 2008 (last review)
2.3.1	Bush Fire Act Requirements	May 2016 (last review)
2.3.2	Banning of Cooking and Camp Fires Within the Shire of Harvey	July 2016 (last review)
2.3.3	Bushfire Burning to Protect Dwellings	May 2016 (last review)
2.3.4	Bush Fire Fighting Appliances	May 2016 (last review)
2.3.5	Fire Control Management Plan – Foreshore Areas – Australind and Adjoining Waterways	May 2016 (last review)
2.3.6	Fire Protection of Private Plantations	May 2016 (last review)
2.3.7	Bush Fire – Roadside Burning	May 2016 (last review)
2.3.8	Bush Fire – Refreshments for Fire Fighters	May 2016 (last review)
2.3.9	Control of Fires – Forward Control Points	August 2008 (last review)
2.3.10	Breathing Apparatus	May 2016 (last review)



2.3.11	Bush Fire Advisory Committee – Functions and Make Up	May 2016 (last review)
2.3.12	Bush Fire Training Courses – Catering	May 2016 (last review)
2.3.13	Response to Wild Fires – Rubbish Tips	November 2009 (last review)
5.1.1	Engineering Design and Construction Standards – Subdivision	December 2011 (last review)
5.1.2	Ward Allocation for Roads	August 2008 (last review)
5.1.3	Road Reserves – Drainage	August 2008 (last review)
5.1.4	School Bus Routes	August 2008 (last review)
5.1.5	Crossovers – Subsidy	August 2008 (last review)
5.1.6	Bitumen Roads – Contribution by Adjoining Landowners	August 2008 (last review)
5.1.7	Private Works – Service – Sporting Clubs	August 2008 (last review)
5.1.8	Bridges – Public Utility Services on Road Bridges	August 2008 (last review)
5.1.9	Tree Planting Program	August 2008 (last review)
5.1.10	Street Lighting	August 2008 (last review)
5.1.11	Unconstructed and Substandard Roads	August 2008 (last review)
5.1.12	Gravel Roads and Dust Emission Letter	August 2008 (last review)
5.1.13	School Precinct Parking	August 2008 (last review)
5.1.14	Landscape Treatment of Road Verges	August 2008 (last review)
5.1.15	Water Usage From Council Water Standpipes	August 2008 (last review)
5.1.16	Residential Kerb Numbering	August 2008 (last review)
5.1.17	Memorial Policy	August 2015 (adopted)
5.2.1	Recreation Grounds – Agricultural Society Facilities	December 2015 (last review)
5.2.2	Reserves – Requests	December 2015 (last review)
5.2.3	Shire of Harvey Recreation Grounds – Camping	December 2015 (last review)
5.2.4	Recreation Grounds – Field Marking	December 2015 (last review)
5.2.5	Grazing Rights	December 2015 (last review)
5.2.6	Wildflower Harvesting – Council Reserve	December 2015 (last review)
	Light Vehicle Fleet Use Procedure	June 2020 (adopted)

**Implication / Risk**

Risk of policy being out of date and non-compliance with stated policy, risk of non-compliance with any changes to relevant legislation.

**Recommendation**

We recommend policies and procedures are reviewed on a periodic basis, including updating references to applicable legislation and standards as changes arise.

It may be appropriate for reviews to occur annually, however frequency of the review will depend on the nature of the policy. We suggest all policies, procedures and plans should be reviewed with sufficient regularity based upon the nature of the matter contained within.



**Management Comment**

A number of the policies have undertaken administrative review. The OSH policy requires amendment and will go to the next Ordinary Council Meeting. The Super Policy is considered operational and will be rescinded. The Acting CEO Policy will be reviewed before the end of financial year. The Infrastructure Directorate is planning to review all their Policies by the end of this financial year.

**Responsible Officer:** Rick Lotznicker/Kourtney Williams      **Completion Date:** 30/06/2024

**7.2.2. Leave Forms**

**Finding Rating: Low**

Our sample testing of employee leave forms identified three instances where an authorised leave form was not retained to support leave taken.

**Implication / Risk**

Risk of material misstatement or omission within the payroll records.

**Recommendation**

Leave forms should be completed by the employee, signed off by an appropriate level of management as evidence of approval, and input into the payroll system to ensure that leave provisions are being correctly adjusted for leave taken.

In addition leave forms should be retained on employee personnel files for reference in the event of a dispute over wage or entitlement balances in the future.

**Management Comment**

Shire Officers will review the process for the submitting of leave forms. The Shire acknowledges that this is difficult without an appropriate timesheet and rostering system, with only manual auditing available.

**Responsible Officer:** Cherie Chivell      **Completion Date:** 30/06/2024

**7.2.3. Overhead and Administration Allocations**

**Finding Rating: Low**

Our discussions with management noted that there has not been an update to the base percentage allocations to reflect changes as required and that rates have not been reviewed or updated for some years.

**Implication / Risk**

Risk that actual public works, plant cost expenditure and administration overhead is not being correctly allocated to jobs during the year.

**Recommendation**

We recommend that allocation rates and allocations to jobs be reviewed periodically during the year to ensure that there are no major under or over allocations of overhead and administration costs. We also recommend the base percentage be adjusted as required following this review.



**Management Comment**

Staff have commenced the process of reviewing and revising process of overheads and administrative allocations.

**Responsible Officer:** Andrew Harnett

**Completion Date:** 30/09/2024

**7.2.4. Excessive Leave Balances**  
**Finding Rating: Low**

From our review of the annual leave listing, we noted 22 employees who have accrued in excess of eight weeks annual leave, with many of these employees also having a present entitlement to long service leave.

**Implication / Risk**

- The cost to Council is greater if annual leave is not paid out on a regular basis due to the cumulative effect of salary increases over a period of time.
- Recreational leave enhances employee performance.
- It is a fundamental principle of good internal control that all employees take regular holidays.

**Recommendation**

We recommend leave balances be managed to reduce the number of employees with excess leave due.

**Management Comment**

The Shire will roll out mandatory leave plans for staff with excessive balances at the Annual Performance Appraisal time.

**Responsible Officer:** Cherie Chivell

**Completion Date:** 30/06/2024



## **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. Financial Management Services Review**

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

It was noted that the Financial Management Services Review as required by section 5(2)(c) of the *Local Government (Financial Management) Regulations 1996* was last completed in 2019 and therefore due in 2022, however this was not conducted within the time period required.

##### **Implication / Risk**

Non-compliance with *Local Government (Financial Management) Regulations 1996* section 5(2)(c).

##### **Recommendation**

We recommend the Financial Management Systems Review be conducted every three years to ensure compliance with the *Local Government (Financial Management) Regulations 1996* Section 5(2)(c).

##### **Management Comment**

Management accepts the comments and ensure it is complied with in future.

**Responsible Officer:** Sunil Chopra

**Completion Date:** 30/06/2027



## 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.

The risk guidelines stated below are based on the Shire of Harvey’s 2023 Risk Management Framework.

Our guidance to risk classification in completing our review is as follows:

### Measure of Likelihood of Risk

Likelihood is the chance that the event may occur given knowledge of the organisation and its environment. The following table provides broad descriptions to support the likelihood rating:

Shire of Harvey Risk Rating Matrix						
Consequence		Insignificant	Minor	Moderate	Major	Extreme
Likelihood		1	2	3	4	5
Almost Certain	5	Medium (5)	High (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Medium (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Medium (6)	Medium (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Medium (6)	Medium (8)	High (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Medium (5)

  

Shire of Harvey Measures of Likelihood			
Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	More than once per year
4	Likely	The event will probably occur in most circumstances	At least once per year
3	Possible	The event should occur at some time	At least once in 3 years
2	Unlikely	The event could occur at some time	At least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	Less than once in 15 years

\*Above Extracted from the Shire’s Risk Management Framework.



**Measure of Consequence of Risk**

Consequence is the severity of the impact that would result if the event were to occur. The following table provides broad descriptions to support the consequence rating:

Shire of Harvey Measures of Consequences									
Risk Level	People Health and Safety	Financial Impact	Service Delivery Interruption	Compliance	Reputation	Property	Environment	Project Time	Project Cost
Insignificant (1)	First aid injuries	Less than \$5,000	No material service interruption - backlog cleared < 6 hours	No noticeable regulatory or statutory impact	Unsubstantiated, low impact, low profile or 'no news' item	Inconsequential or no damage.	Contained, reversible impact managed by on site response	Exceeds deadline by 10% of project timeline	Exceeds project budget by 10%
Minor (2)	Medical treatment	\$5,000-\$20,000	Short term temporary interruption - backlog cleared < 1 day	Some temporary non-compliances	Substantiated, low impact, low news item	Localised damage rectified by routine internal procedures	Contained, reversible impact managed by internal response	Exceeds deadline by 15% of project timeline	Exceeds project budget by 15%
Moderate (3)	Lost time injury <30 days	\$20,000-\$50,000	Medium term temporary interruption - backlog cleared by additional resources < 1 week	Short term non-compliance but with significant regulatory requirements imposed	Substantiated, public embarrassment, moderate impact, moderate news profile	Localised damage requiring external resources to rectify	Contained, reversible impact managed by external agencies	Exceeds deadline by 20% of project timeline	Exceeds project budget by 20%
Major (4)	Lost time injury >30 days	\$50,000-\$150,000	Prolonged interruption of services - additional resources: performance affected < 1 month	Non-compliance results in termination of services or imposed penalties	Substantiated, public embarrassment, high impact, high news profile, third party actions	Significant damage requiring internal & external resources to rectify	Uncontained, reversible impact managed by a coordinated response from external agencies	Exceeds deadline by 25% of project timeline	Exceeds project budget by 25%
Extreme (5)	Fatality, permanent disability	More than \$150,000	Indeterminate prolonged interruption of services - non-performance > 1 month	Non-compliance results in litigation, criminal charges or significant damages or penalties	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	Extensive damage requiring prolonged period of restitution Complete loss of plant, equipment & building	Uncontained, irreversible impact	Exceeds deadline by 30% of project timeline	Exceeds project budget by 30%

\*Above Extracted from the Shire's Risk Management Framework.



**Finding / Risk Acceptance Rating**

The table below sets out the definition of the Shire’s finding / risk acceptance rating:

Shire of Harvey Risk Acceptance Criteria				
Risk Rank	Description	Criteria	Responsibility	Timeframe
LOW (1 – 4)	Acceptable	Risk acceptable with adequate controls, managed by routine procedures	Responsible Officer (as per the Risk Management Register)	Review controls every six months or as per the Risk Management Register
MEDIUM (5 – 9)	Monitor	Risk acceptable with adequate controls, managed by specific procedures	Responsible Officer (as per the Risk Management Register)	Review controls every three months or as per the Risk Management Register
HIGH (10 – 16)	Urgent Attention Required	Risk acceptable with excellent controls, managed by Executive Leadership Team	Directors and CEO	Controls implemented within two weeks of reporting Review controls every month
EXTREME (17 – 25)	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority	CEO and Council	Controls implemented within one week of reporting Review controls every 2 weeks

*\*Above Extracted from the Shire’s Risk Management Framework*