



## NOTICE OF MEETING

Councillors: Please be advised that the next meeting of the

### **KULIN SHIRE COUNCIL**

Audit & Risk Committee Meeting

**will be held on  
Wednesday 27 July 2022  
commencing at 12:45 pm**

John Merrick  
Acting Chief Executive Officer  
20 July 2022

#### **DISCLAIMER**

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Please note this agenda contains recommendations, which have not yet been adopted by Council.

## **ORDER OF BUSINESS**

- 1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS)**
- 2 RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE**
- 3 PUBLIC QUESTION TIME**
- 4 APPLICATIONS FOR LEAVE OF ABSENCE**
- 5 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**
  - 5.1 Audit & Risk Committee Meeting Minutes – March 2022 Attachment 1
- 6 MATTERS REQUIRING DECISION**
  - 6.1 Response to Interim Management Letter Attachment 2
- 7 ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**
- 8 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING**
- 9 INFORMATION BULLETIN ITEMS**
- 10 DATE AND TIME OF NEXT MEETING**
- 11 CLOSURE OF MEETING**

## 6.1 Response to Interim Management Letter

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**RESPONSIBLE OFFICER:** DCEO  
**FILE REFERENCE:** 12.05  
**AUTHOR:** CEO  
**STRATEGIC REFERENCE/S:** Corporate Business Plan, Civic Leadership 4.1.1 a; CEO KRA 3.3 Financial Management, 3.5 Integrated Planning  
**DISCLOSURE OF INTEREST:** Nil

### **SUMMARY:**

As part of the audit of the 2021/22 annual financial report, the Shire's auditors AMD Chartered Accountants, conducted their interim audit on 2 & 3 June 2022.

The interim audit includes the following processes:

- understanding the Shire of Kulin's current business practices;
- assessment and response to engagement risk, entity risk and system risk;
- understanding the control environment and evaluating the design and implementation of key controls and, where appropriate, whether they are operating effectively;
- testing transactions to confirm the accuracy and completeness of processing accounting transactions;
- clarifying significant accounting issues, including accounting estimates and fair value considerations before the annual financial report is prepared for audit;
- review and assess legislative compliance;
- review and assess contingent liabilities;
- review and assess progress with respect to the introduction of applicable new Accounting Standards; and
- follow up prior year management letter comments and recommendations.

The Shire has received the attached draft management letter with AMD's findings and recommendations arising from the interim audit.

### **BACKGROUND & COMMENT:**

The management letter lists eight key findings which are rated as follows:

- Significant - those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report if not addressed.
- Moderate – those findings which are of sufficient concern to warrant action being taken by the entity as soon as possible
- Minor – those findings that are not of primary concern but still warrant action being taken.

Of the findings in the attached Interim Management Letter, three are listed as significant, four moderate and one minor.

Management comments outlining how each of the findings will be addressed and resolved are contained in the attached management letter.

### **STATUTORY ENVIRONMENT:**

Nil

### **POLICY IMPLICATIONS:**

Nil

### **FINANCIAL IMPLICATIONS:**

Nil

### **COMMUNITY CONSULTATION:**

Nil

### **WORKFORCE IMPLICATIONS:**

Nil

**OFFICER'S RECOMMENDATION**

That the Audit and Risk Committee recommend to Council to accept the proposed Management Comments, outlining how staff will address each finding outlined in the Auditors Management Letter.

**VOTING REQUIREMENTS:**

Simple Majority.

Attachment 2 – Interim Management Letter

**Minutes of an Audit & Risk Committee Meeting of Council held in the Council Chambers on Wednesday 16 March 2022 commencing at 12:55 pm**

**1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS**

President Grant Robins declared the meeting open at 12:55 pm

**2. RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE**

Attendance

G Robins	President	Central Ward
B Smoker	Deputy President	West Ward
T Gangell	Councillor	Town Ward
B West	Councillor	West Ward
R Bowey	Councillor	Town Ward
L Varone	Councillor	East Ward
M Lucchesi	Councillor	Central Ward
C Mullan	Councillor	Central Ward
J Noble	Councillor	Town Ward
G Yandle	Chief Executive Officer	
F Murphy	Acting DCEO	
F Jasper	Executive Support Officer	

Apologies

Nil

**3. PUBLIC QUESTION TIME**

**4. APPLICATIONS FOR LEAVE OF ABSENCE**

**5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS**

5.1 Audit and Risk Committee Meeting Minutes – 28 July 2021

5.2 Audit and Risk Committee Meeting Minutes – 24 February 2022

**6. MATTERS REQUIRING DECISION**

6.1 DLGSC Response Regarding 202-21 Financial Report

6.2 Compliance Audit Return 2021 - Adoption

**6 ELECTED MEMBERS MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN**

**7 NEW BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF MEETING**

**8 INFORMATION BULLETIN ITEMS**

**9 DATE AND TIME OF NEXT MEETING**

**10 CLOSURE OF MEETING**

## 5. CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

### 5.1 Audit & Risk Committee Meeting Minutes – 28 July 2021

**A1/0322**

Moved Cr Gangell Seconded Cr West that the minutes of the Audit and Risk Committee Meeting held on 28 July 2021 be received.

Carried 9/0

### 5.2 Audit & Risk Committee Meeting Minutes – 24 February 2022

**A2/0322**

Moved Cr Smoker Seconded Cr Varone that the minutes of the Audit and Risk Committee Meeting held on 24 February 2022 be received.

Carried 9/0

## 6. MATTERS REQUIRING DECISION

### 6.1 DLGSC Response Regarding 2020-21 Financial Report

**RESPONSIBLE OFFICER:** CEO  
**FILE REFERENCE:** 12.05 Audit Return and Review  
**AUTHOR:** CEO  
**STRATEGIC REFERENCE/S:** Corporate Business Plan, Civic Leadership 4.1.1 a; CEO KRA 3.3 Financial Management, 3.5 Integrated Planning  
**DISCLOSURE OF INTEREST:** Nil

**SUMMARY:**

The audit of the 2020/21 Annual Financial Report was finalised by the Office of the Auditor General (OAG) on 23 February 2022. The Annual Report was presented to the Audit Committee at a Special Council Meeting held at 10:48am on Wednesday 24 February 2022. The audit opinion described significant adverse trends and matters of non-compliance with the Local Government (Financial Management) Regulations 1996. These matters are discussed in detail below.

**BACKGROUND & COMMENT:**

Operating Surplus Ratio

In the Local Government Operational Guidelines Number 18 the Department described the Operating Surplus Ratio as a financial performance ratio which is a key indicator of a local government’s financial sustainability.

The Operating Surplus Ratio is calculated by:

$$\frac{(\text{Operating Revenue}-\text{Operating Expenditure})}{\text{Own Source Revenue}}$$

This ratio is a measure of a local government’s ability to cover its operational costs and have revenues available for capital funding or other purposes. A positive ratio indicates the percentage of total own source revenue available to help fund proposed capital expenditure, transfer to cash reserves or to reduce debt. A negative ratio indicates the percentage increase in total own source revenue (principally rates) that would have been required to achieve a break-even operating result.

Standard:

Basic Standard between 1% and 15% (0.01 and 0.15) Advanced Standard > 15% (>0.15).

Comment:

The depreciation expense posted each year has a significant impact on our operating result and we consistently post a loss based on this expense. As you can see in the table below, we were achieving the standard in 2015 prior to the first round of infrastructure valuations impacting depreciation.

	2021	2020	2019	2018	2017	2016	2015
Operating Surplus Ratio	(0.25)	(0.42)	(0.41)	(0.46)	(0.13)	(0.39)	0.051

Our infrastructure and property, plant and equipment assets were revalued on 30 June 2020. Depreciation rates were reviewed at this time and adjusted as necessary to ensure these were in line with the useful life of assets. It is a continual challenge meet this standard whilst depreciation of our infrastructure assets is included in the calculation.

**Action:**

We will continue to monitor depreciation rates to ensure the rates we are currently using are correct and to ensure that our depreciation isn't overstated.

Further to this, we will continue to review our larger outlays of maintenance type work which we expense during the year. From time to time, we make improvements to assets through a maintenance program and these expenditures are operating in nature rather than capital. When these expenditures are a genuine capital expense, they will be moved to the balance sheet rather than expensed through the operating statement. While this additional scrutiny (and any consequent change in expense classification) will have a positive impact on our net result, the impact will be minimal with regards to the Shire achieving the basic standard of this ratio.

**STATUTORY ENVIRONMENT:**

Nil

**POLICY IMPLICATIONS:**

Nil

**FINANCIAL IMPLICATIONS:**

Nil

**COMMUNITY CONSULTATION:**

Nil

**WORKFORCE IMPLICATIONS:**

Nil

**AUDIT & RISK COMMITTEE RECOMMENDATION**

That the Audit & Risk Committee recommend to Council that they accept the report of significant matters as presented in the Auditor's Report for the 2020/21 Annual Financial Report and authorising the CEO to prepare a letter to the Minister in response to the findings.

**VOTING REQUIREMENTS:**

Simple Majority.

**A3/0322**

**Moved Cr Bowey Seconded Cr Varone that the Audit & Risk Committee recommend to Council that they accept the report of significant matters as presented in the Auditor's Report for the 2020/21 Annual Financial Report and authorising the CEO to prepare a letter to the Minister in response to the findings.**

**Carried 9/0**

**6.2 Compliance Audit Return 2021 – Adoption**

**NAME OF APPLICANT:** CEO  
**RESPONSIBLE OFFICER:** CEO  
**FILE REFERENCE:** 04.02 Local Government Act & Returns  
**STRATEGIC REFERENCE/S:** CBP 4.1 Civic Leadership, 4.1.8 Compliance methods  
**AUTHOR:** CEO  
**DISCLOSURE OF INTEREST:** NIL

**SUMMARY:**

To present the Compliance Audit Return to the Audit and Risk Committee who adopt the report and make recommendation to Council.

**BACKGROUND:**

Each year all local governments across the State are required by legislation to undertake a compliance audit for the period 1 January to 31 December. This audit is performed against the requirements of the

Compliance Audit Return prepared by the Department of Local Government covering the following business areas considered to be 'high risk':

- Commercial Enterprises by Local Government;
- Delegation of Power / Duty;
- Disclosure of Interest;
- Disposal of Property;
- Elections;
- Finance;
- Local Government Employees;
- Official Conduct; and
- Tendering for Providing Goods & Services

**COMMENT:**

The Audit and Risk Committee's consideration and endorsement of the Compliance Audit Return (addressing those areas identified as high risk) is required prior to the report being submitted to the Department of Local Government and Communities. A completed return for the year ended 31 December 2021 is due to the Department by the 31 March 2022.

Please note that the Risk and Audit Committee is required to review the completed CAR and report the results to the Council, prior to the CAR's adoption by Council and submission to the Department by 31 March 2022.

The Compliance Audit Return is attached for the Committee's and Council's consideration. Note the report was prepared by the CEO.

**STATUTORY IMPLICATIONS:**

Regulation 14 of the Local Government (Audit) Regulations 1996 provides:

- (1) A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.
- (2) After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.
- (3A) The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.
- (3) After the audit committee has reported to the council under sub-regulation (3A), the compliance audit return is to be —
  - (a) presented to the council at a meeting of the council; and
  - (b) adopted by the council; and
  - (c) recorded in the minutes of the meeting at which it is adopted.

Regulation 15 provides that:

- (1) After the compliance audit return has been presented to the council in accordance with regulation 14(3) a certified copy of the return together with —
  - (a) a copy of the relevant section of the minutes referred to in regulation 14(3)(c); and
  - (b) any additional information explaining or qualifying the compliance audit,
  - (c) is to be submitted to the Executive Director by 31 March next following the period to which the return relates.
- (2) In this regulation, certified in relation to a compliance audit return means signed by;
  - (a) the mayor or president; and
  - (b) the CEO.

**FINANCIAL IMPLICATIONS:**

Nil

**POLICY IMPLICATIONS:**

Nil

**COMMUNITY STRATEGIC PLAN IMPLICATIONS:**

Nil

That the Audit and Risk Committee consider the Officer's recommendation and make recommendation to the Council.



**COMMITTEE RECOMMENDATION:**

That the Audit and Risk Committee recommend to Council that;

1. Note the recommendations and comments of the Audit Committee as detailed;
2. Council adopt the Compliance Audit Return 2021, as presented;
3. The Chief Executive Officer and the Shire President be authorised to sign the Compliance Audit Return 2021;
4. Endorse the return for submission to the Department of Local Government, Sport and Cultural Industries by 31 March 2022.

**VOTING REQUIREMENTS:**

Absolute Majority Required

**A4/0322**

**Moved Cr Noble Seconded Cr Smoker that Audit and Risk Committee recommend to Council that;**

- 1. Note the recommendations and comments of the Audit Committee as detailed;**
- 2. Council adopt the Compliance Audit Return 2021, as presented;**
- 3. The Chief Executive Officer and the Shire President be authorised to sign the Compliance Audit Return 2021;**
- 4. Endorse the return for submission to the Department of Local Government, Sport and Cultural Industries by 31 March 2022.**

**Carried 9/0**

Next meeting date and time to be set.

## **CLOSURE OF MEETING**

There being no further business the meeting was closed at 1:01pm

## SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Findings identified in the current audit</b>			
1. Non-compliance with purchasing policy	✓		
2. Fixed asset reconciliation		✓	
3. Payroll exceptions		✓	
4. Tender register			✓
<b>Issues from prior year audits</b>			
5. Disaster recovery plan	✓		
6. Disposal of IT – policy	✓		
7. Daily statement of collections - independent review and sign off		✓	
8. Risk management policy		✓	

**KEY TO RATINGS**

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating may be reported as a matter of non-compliance in the audit report in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

## SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

## 1. Non-compliance with purchasing policy

**Finding**

The following items of non-compliance with the Shire's purchasing policy were identified;

- From our testing of 20 purchases, we identified the following exceptions:
  - 7 instances, the purchase orders were raised after the supplier invoice was received; and
  - 3 instances, the purchase order had not been raised.
- Additional testing of 2 batch payments identified a further 9 instances where the purchase order was raised after the date of the supplier invoice; and
- A number of supplier invoices were not available to support charges to the CEO credit card.

**Rating: Significant Implication**

Where purchase orders are not raised, or raised after the supplier invoice is received, there is no evidence that the ordering of goods was approved prior to ordering. Additionally, where supplier invoices are not retained there is increased risk of inappropriate charges being incurred by the Shire which could result in financial loss.

**Recommendation**

We recommend that the requirement for compliance with the Shire's purchasing policy is communicated to all staff and closely monitored by management to ensure:

- Purchase orders are raised and approved by the appropriate delegated authority prior to the purchase being made; and
- Supplier invoices for all purchases made using the corporate credit card to be retained.

**Management Comment**

*We acknowledge the above non-compliance with the Shire's purchasing policy and recognise that we need significant improvement in the area. Staff with purchasing delegation have been reminded of their responsibility to ensure purchase orders are written prior to ordering goods and services. The DCEO has also reminded employees with credit cards that they must retain invoices. When reviewing creditors batches prior to update, the DCEO will take note of any non-compliance and discuss this with the employee completing the purchase order immediately.*

**Responsible Person: DCEO****Completion Date: 31 July 2022**

## SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**2. Fixed asset reconciliation****Finding**

We noted that there was no regular reconciliation between the fixed asset register and general ledger during the year.

We reviewed the most recent fixed asset reconciliation for May 2022 and no unexplained variances were identified.

**Rating: Moderate****Implication**

The absence of regular reconciliations between the fixed asset register and the general ledger, increases the risk of error or omission remaining undetected which could lead to misstatements in financial statements.

**Recommendation**

We recommend that regular reconciliations between the fixed assets register and general ledger be prepared and reviewed by an independent senior officer, with evidence of the review retained.

**Management Comment**

*We disagree with this item. Fixed asset reconciliations have been completed for every month except August 2021.*

*The fixed asset register in our accounting system, Synergy Soft, cannot be updated until the prior year financial statements have been adopted. As such, additions, disposals and depreciation cannot be posted to the fixed asset register. As the audit of our 2020/21 financial statements was not finalised until late February 2022, no additions, disposals or depreciation was posted until after this time.*

*Although the fixed asset register had not been updated, the fixed asset reconciliations were still completed with the reconciling item being the capital accounts in the general ledger showing additions and disposals that had not yet been recognised in the fixed asset register. There were no discrepancies here.*

*We acknowledge that we have been slow in updating the fixed asset register. This is a result of the 2020/21 financial statements being adopted late and changes in staffing.*

**Responsible Person: DCEO**

**Completion Date: 31 July 2022**

## SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**3. Payroll exceptions****Finding**

Our testing of the internal controls surrounding payroll processes noted the following:

- 1 instance where the relevant approval of an employee's travel allowance was not retained;
- 1 instance where the relevant supporting document wasn't available to support the social club deduction from an employees pay; and
- No approval for the current value (\$60) of the service allowance paid to employees, the supporting documents for the previous value (\$40) were retained.

**Rating: Moderate****Implication**

The absence of appropriate and approved documentation to support payroll payments and deductions increases the risk that amounts are incorrect. This could lead to financial loss for the Shire and/or disputes with employees.

**Recommendation**

All amounts to be deducted from employee wages should be supported by a letter of request (or equivalent) from the employee. Furthermore, all allowances to be paid to an employee should be supported by authorised documentation.

**Management Comment**

*We acknowledge the payroll exceptions identified above. We will ensure that any allowances and deductions are covered by either a letter to the employee or a Payroll deduction form. We feel that we have good processes for any new allowances and deductions and that the instances identified above are historical items which need tidying up.*

*Service pay is a long-standing incentive which is not currently covered by a policy, and therefore is applied inconsistently across employment packages. A policy will be written and adopted by Council to ensure we are more consistent in this area.*

**Responsible Person: DCEO****Completion Date: 31 October 2022**

SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**4. Tender register**

**Finding**

During our enquiries, it was noted that while the tender register is available to the public, the tender register is not currently published on the Shire's website as required by *Local Government (Functions and General) Regulations 1996* Part 4, r.17 (1A).

**Rating: Minor**

**Implication**

Non-compliance with the regulations increases the risk of reputational damage for the Shire.

**Recommendation**

We recommend the tender register be published on the Shire's website to ensure compliance with the Local Government Regulations.

**Management Comment**

*The tender register has now been published on the Shire's website.*

**Responsible Person: CEO**

**Completion Date: 31 July 2022**

## SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**5. Disaster recovery plan****Finding**

Our inquiries indicated that the Shire of Kulin has no formal disaster recovery plan in place in respect to information technology systems and overall Shire operations. It was noted that limited progress has been made by the Shire in preparing the disaster recovery plan at the time of our interim audit.

The same finding was raised in the 2020-21 financial year and the following management comment was received:

**2020-21 Management Comment**

*Management will prepare a disaster recovery plan in conjunction with our IT service provider and insurer.*

**Responsible person:** Chief Executive Officer

**Completion date:** 30 June 2022

**Rating: Significant (2021:Moderate)**

**Implication**

Increased risks of significant interruption to business and operations in the event of unforeseen circumstances.

**Recommendation**

We recommend that a disaster recovery plan be developed, documented and tested to ensure that in the event of a disaster, appropriate and effective recovery actions can be taken promptly.

**Management Comment**

*The preparation of a disaster recovery plan has been included in the 2022/23 budget. The DCEO has a quote from our IT provider to develop the plan. This will occur as soon as the 2022/23 budget has been adopted.*

**Responsible Person:** DCEO

**Completion Date:** 30 September 2022

## SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**6. Disposal of IT policy****Finding**

We noted that there is no formal policy in place in relation to the disposal of Shire IT equipment, including the erasing and subsequent disposal of portable devices.

The same finding was raised in the 2020-21 financial year and the following management comment was received:

**2020-21 Management Comment**

*The disposal of IT assets is managed in consultation with our IT service contractors to ensure unintended access to Shire data does not take place. We will discuss with them the formalisation of this process.*

**Responsible person:** Deputy Chief Executive Officer

**Completion date:** 30 September 2021

**Rating: Significant (2021:Moderate)****Implication**

The absence of a formal policy increases the risk IT assets are disposed of inappropriately, additionally without defining data destruction requirements of IT assets being disposed, there is risk of inadvertent public disclosure of the Shire's information.

**Recommendation**

We recommend a policy be developed and endorsed by Council outlining the appropriate steps required when disposing of Shire's IT equipment, including the disposal of portable devices.

**Management Comment:**

*The management comment from the 2020/21 management letter stands. We need to formally document this process in the coming months.*

**Responsible Person:** DCEO

**Completion Date:** 30 September 2022



## SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

## 7. Daily statement of collections – independent review and sign off

**Finding**

We noted the following instances where there is no evidence of completion sign off or independent review:

- 5 instances where the daily statement of collections for the administration cashier are not signed by the reviewer as evidence of independent review;
- Daily statement of collections for the Caravan Park are not signed as evidence of independent review; and
- Daily statement of collections for the Aquatic Centre are not signed as evidence of independent review.

The same finding was raised in the 2020-21 financial year and the following management comment was received:

**2020-21 Management Comment**

- *Management haven't considered the review of daily direct deposits a high risk area as monthly banking reconciliations would typically highlight any errors in values and monthly financial statement preparation would highlight any allocation errors.*
- *Daily banking reconciliations are typically prepared by a single officer so Management have not felt this is necessary. However, this is a relatively simple procedure to implement, we will adjust the procedure accordingly, immediately.*
- *This area is acknowledged as a risk and a form and process will be implemented ASAP*

**Responsible person:** Deputy Chief Executive Officer

**Completion date:** 31 August 2021

**Rating: Moderate (2021: Moderate)**

**Implication**

Increased risk of fraud or error occurring not being detected.

**Recommendation**

We recommend the daily statement of collections for the administration cashier; caravan park and aquatic centre be signed off as evidence of independent review with records retained by the Shire.

**Management Comment**

*The management comment from the 2020/21 management letter stands. Independent review of all receipting batches will start immediately.*

**Responsible Person:** DCEO

**Completion Date:** 31 July 2022

## SHIRE OF KULIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**8. Risk management policy****Finding**

Our enquiries indicated that the Shire of Kulin had no formal risk management policy in place, documenting assessed risks and risk management procedures. It was noted that funds were budgeted for the development of a formal risk management policy however, at the time of our interim audit limited progress in preparing the risk management policy has been made.

The Shire does have a risk register and this was last updated 8 June 2021.

The same finding was raised in the 2020-21 financial year and the following management comment was received:

**2020-21 Management Comment**

*Funds have been budgeted for and the procurement process has begun for this to be prepared in the 21-22 financial year*

**Responsible person:** Chief Executive Officer

**Completion date:** 30 June 2022

**Rating: Moderate (2021: Moderate)****Implication**

The absence of a risk management policy and associated procedures increases the risk of strategic and operational risks being insufficiently understood or not identified by Shire Management and Council. Additionally, risk levels may unknowingly exceed the Council's risk appetite.

**Recommendation**

We recommend that a risk management policy be prepared as a priority, updated and subsequently reviewed on a regular basis.

**Management Comment**

*A risk management policy will be developed during 2022/23.*

**Responsible Person:** CEO

**Completion Date:** 31 December 2022