AGENDA

AUDIT COMMITTEE MEETING

WEDNESDAY, 30 JANUARY 2013
WEST ARNHEM SHIRE COUNCIL

Notice is hereby given that Audit Committee Meeting of the West Arnhem Shire Council will be held in Jabiru on Wednesday, 30 January 2013 at West Arnhem Shire Council Chambers at 2.00pm.

Brian Hylands
Chief Executive Officer
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<td>Nil</td>
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<td></td>
<td>Nil</td>
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<td>11</td>
<td>CONFIDENTIAL ITEMS</td>
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</table>

*The information is classed as confidential under the Clause 9(c) of the Local Government (Administration) Regulations 2008.*

| 12   | NEXT MEETING                                                            |         |
The West Arnhem Shire Council acknowledges and respects the Traditional Owners past and present of the West Arnhem Shire.

We also acknowledge the attachment and relationship of Aboriginal people to country.
SUMMARY
This report is to table, for Committee’s record, any Apologies and requests for Leave of Absence received from Elected Members the Audit Committee Meeting held 30 January 2013.

BACKGROUND
Not applicable.

COMMENT
The Committee can choose to accept the Apologies or requests for Leave of Absence as presented, or not accept them. Apologies or requests for Leave of Absence that are not accepted by Council will be recorded as Absent Without Notice.

STATUTORY ENVIRONMENT
Not applicable.

POLICY IMPLICATIONS
Not applicable.

FINANCIAL IMPLICATIONS
Not applicable.

STRATEGIC IMPLICATIONS
Not applicable.

VOTING REQUIREMENTS
Simple majority.

RECOMMENDATION:
That the Committee receives and notes Elected Member Apologies and/or requests for Leave of Absence received for the Audit Committee Meeting held 30 January 2013.

ATTACHMENTS
There are no attachments for this report.
WEST ARNHEM SHIRE COUNCIL
FOR THE MEETING 30 JANUARY 2013

Agenda Reference: 4.1
Title: Absent Without Notice
File Reference: 329886
Author: Rebekka Atz, ExecutCoordinator Governance

SUMMARY
This report is to table, for Council’s record, any Elected Members that are Absent Without Notice from the Audit Committee Meeting held 30 January 2013.

BACKGROUND
Not applicable.

COMMENT
Not applicable

STATUTORY ENVIRONMENT
Not applicable.

POLICY IMPLICATIONS
Not applicable.

FINANCIAL IMPLICATIONS
Not applicable.

STRATEGIC IMPLICATIONS
Not applicable.

VOTING REQUIREMENTS
Simple majority.

RECOMMENDATION:
That the Committee notes Elected Member absences without notice the Audit Committee Meeting held on 30 January 2013.

ATTACHMENTS
There are no attachments for this report.
WEST ARNHEM SHIRE COUNCIL
FOR THE MEETING 30 JANUARY 2013

Agenda Reference: 5.1
Title: Acceptance of Agenda - 16 May 2012
File Reference: 329887
Author: Rebekka Atz, Coordinator Governance

SUMMARY
Agenda papers are submitted for acceptance by the Committee for the Audit Committee Meeting of 30 January 2013.

BACKGROUND
Not applicable.

COMMENT
Not applicable.

STATUTORY ENVIRONMENT
Not applicable.

POLICY IMPLICATIONS
Not applicable.

FINANCIAL IMPLICATIONS
Not applicable.

STRATEGIC IMPLICATIONS
Not applicable.

VOTING REQUIREMENTS
Simple majority.

RECOMMENDATION:
That the agenda papers for the Audit Committee Meeting of 30 January 2013 as circulated be received for consideration at the meeting.

ATTACHMENTS
There are no attachments for this report.
SUMMARY

Elected Members are required to disclose an interest in a matter under consideration by Council at a meeting of the Council or a meeting of a Council committee by:

1) In the case of a matter featured in an officer’s report or written agenda item by disclosing the interest to the Council by disclosure as soon as possible after the matter is raised

2) In the case of a matter raised in general debate or by any means other than the printed agenda of the Council by disclosure as soon as possible after the matter is raised.

Under disclosure, the Member must abide by the decision of Council on whether he/she shall remain in the Chambers and/or take part in the vote on the issue. The council may elect to allow the Member to provide further and better particulars of the interest prior to requesting him/her to leave the Chambers.

Staff Members of the Council are required to disclose an interest in a matter at any time at which they are required to act or exercise their delegate authority in relation to the matter. Upon disclosure the Staff Member is not to act or exercise his or her delegated authority unless the Council expressly directs him or her to do so.

BACKGROUND

Not applicable.

COMMENT

Not applicable.

STATUTORY ENVIRONMENT

Local Government Act s73 &s74 (Elected Members).
Local Government Act (2008) s107 Conflict of interest (Staff Members).

POLICY IMPLICATIONS

Not applicable.

FINANCIAL IMPLICATIONS

Not applicable.

STRATEGIC IMPLICATIONS

Not applicable.
VOTING REQUIREMENTS
Simple majority.

RECOMMENDATION:
That the Committee receives the declarations of interest as listed for the Audit Committee Meeting held on 30 January 2013.

ATTACHMENTS
There are no attachments for this report.
WEST ARNHEM SHIRE COUNCIL
FOR THE MEETING 30 JANUARY 2013

Agenda Reference: 7.1
Title: Confirmation of Previous Minutes Audit Committee Meeting 30 October 2012
File Reference: 335073
Author: Rebekka Atz, Coordinator Governance

SUMMARY
Minutes of the 30 October 2012 Audit Committee Meeting are submitted to the Committee for confirmation that those minutes are a true and correct record of the meeting.

BACKGROUND
Not applicable.

COMMENT
Not applicable.

STATUTORY ENVIRONMENT
The minutes as submitted must comply with part section 67(2) Local Government Act 2011, and that confirmation of minutes is compliant with section 67(3) of the Local Government Act 2011.

POLICY IMPLICATIONS
Not applicable.

FINANCIAL IMPLICATIONS
Not applicable.

STRATEGIC IMPLICATIONS
Not applicable.

VOTING REQUIREMENTS
Simple majority.

RECOMMENDATION:
That the Minutes of the 30 October 2012 Audit Committee Meeting are confirmed by the Committee as a true and correct record of the meeting.

ATTACHMENTS
1  ADC_30102012_MIN_PF ra.pdf
Minutes of the West Arnhem Shire Council Audit Committee Meeting  
Tuesday, 30 October 2012 at 12:33pm  
Council Chambers, West Arnhem Shire Council, Jabiru  

Presiding Member Iain Summers declared the meeting open at 12:33pm, welcomed all in attendance and acknowledged the Traditional Owners.

ELECTED COMMITTEE MEMBERS PRESENT  
Presiding Member  
Member  
Member  
Member  

Iain Summers  
Mayor Lothar Siebert  
(Cr Alex Siebert  
(Cr Peter Wilson  

via teleconference)  
(via teleconference)  

STAFF PRESENT  
Chief Executive Officer  
Executive Manager Corporate Services  
Manager Finance  
Coordinator Governance  

Brian Hylands  
Valentin Marquez  
Barbara Newland  
Rebekka Atz  (Minute Secretary)
APOLOGIES AND LEAVE OF ABSENCE

3.1 APOLOGIES AND LEAVE OF ABSENCE
The Committee considered Apologies and Leave of Absence.

That Committee receives and notes Elected Member Apologies and/or requests for Leave of Absence received for the Audit Committee Meeting held 30 October 2012.

ABSENT WITHOUT NOTICE

4.1 ABSENT WITHOUT NOTICE
The Committee considered Absent Without Notice.

That the Committee notes Elected Member absences without notice from Councillor Helen Williams and Councillor Mary Yarmirr from the Audit Committee Meeting held on 30 October 2012.

Presiding Member Iain Summers welcomed the Chief Executive Officer Brian Hylands and Executive Manager Corporate Services Valentín Markez to the Audit Committee and congratulated both to their appointments to Chief Executive Officer and Executive Manager Corporate Services.

ACCEPTANCE OF AGENDA

5.1 ACCEPTANCE OF AGENDA – 30 OCTOBER 2012
The Committee considered Acceptance of Agenda – 30 October 2012.

RECOMMENDATION:
That the agenda papers for the Audit Committee Meeting of 30 October 2012 as circulated be received for consideration at the meeting with the addition of consideration of actions arising from previous minutes.

Minute Notes:
- That the Executive Manager Corporate Services includes the Audit Tracking Register in the agenda for the next Audit Committee meeting as requested per resolution ACM 43/2012.
- The Executive Manager Corporate Services provides the updated Risk Register to he next Audit Committee Meeting with the amendments as requested resolution ACM43/2012.
- That the Executive Manager Corporate Services provides a 3 year internal audit plan updated as per resolution ACM 34/2012.

DECLARATION OF INTEREST OF MEMBERS OR STAFF

6.1 DISCLOSURE OF INTEREST OF MEMBERS OR STAFF
The Committee considered Disclosure of Interest of Members or Staff.

The Committee notes the new declarations of interest as listed for the Audit Committee Meeting held on 30 October 2012:
- Chief Executive Officer as a Board Member of Latitude 12; and
- Executive Manager Valentín Markez as the alternate Board Member of Latitude 12.

West Arnhem Shire Council

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Audit Committee
Tuesday, 30 October 2012
CONFIRMATION OF PREVIOUS MINUTES

7.1 CONFIRMATION OF PREVIOUS MINUTES AUDIT COMMITTEE MEETING 6 JUNE 2012

The Committee considered Confirmation of Previous Minutes Audit Committee Meeting 6 June 2012.

ACM46/2012 RESOLVED:
On the motion of Councillor Peter Wilson
Seconded Councillor Lothar Siebert

That the Minutes of the 6 June 2012 Audit Committee Meeting are confirmed by the Committee as a true and correct record of the meeting.

CARRIED

7.2 RESCINDING OF RESOLUTION 39/2012

ACM47/2012 RESOLVED:
On the motion of Councillor Lothar Siebert
Seconded Councillor Peter Wilson

That the Committee rescinds resolution ACM 39/2012 Item 2:
That the Committee recommends to Council that
2) Council reviews the appropriateness of the Independent Chair holding the Casting vote.

CARRIED

7.3 MATTERS ARISING FORM THE MINUTES

The Committee notes that
- the Executive Manager Corporate Services includes the Audit Tracking Register in the agenda for the next Audit Committee meeting as requested per resolution ACM 43/2012.
- the Executive Manager Corporate Services provides the updated Risk Register to be next Audit Committee Meeting with the amendments as requested resolution ACM43/2012.
- the Executive Manager Corporate Services provides a 3 year internal audit plan updated as per resolution ACM 34/2012.
GENERAL ITEMS

8.1 FINANCIAL STATEMENTS 2011-2012

The Committee considered Financial Statements 2011-2012.

ACM48/2012 RESOLVED:
On the motion of Councillor Peter Wilson
Seconded Councillor Alex Siebert

That the Committee recommends to Council that the financial statements are suitable for signing by the Chief Executive Officer and for inclusion in the 2011/12 Annual report for presentation to the Minister.

CARRIED

Minute Notes:
- that the Executive Manager Corporate Services analyses and adjusts the ALPA store cash balance to establish a reserve for potential royalty and rental expenses.
- That, when explaining the extent of the improvement of the financial results to Council, the comparison between the two years adjusts for the impact where the current year revenue will not be expended until the next year.
- The Committee enquired of the management as to the carrying value of current and non current assets and were satisfied that carrying values were appropriate.
- The committee noted that a revaluation of property plant and equipment was due by 30 June 2013.
- The committee recommended that note 17 on contingent liabilities be reviewed for completeness before 30 June 2013.
- The Committee recommends a narrative to the council about the financial result separates out issues about management of revenue and expenditure that was within the control of the Council, from the impact of funding received that relates more to the subsequent year.

8.2 ANNUAL REVIEW OF AUDIT COMMITTEE CHARTER

The Committee considered Annual Review of Audit Committee Charter.

ACM49/2012 RESOLVED:
On the motion of Councillor Peter Wilson
Seconded Councillor Lothar Siebert

That the Committee recommends to Council the acceptance of the revised Audit Committee Charter with the following amendment:
- final dot point under external reporting has the words “by the CEO” inserted after the word “signed”.

CARRIED

Exclusion of the public at 2:24pm.

West Arnhem Shire Council - 4 -
Audit Committee
Tuesday, 30 October 2012
CONFIDENTIAL ITEMS
The information is classed as confidential under Section 65(2) of the Local Government Administration Regulations 2008.

Re-admittance of the public at 2:46pm.

Next Meeting
The next Audit Committee Meeting will be held 19 December 2012 at 12:30pm.

CLOSURE
The Presiding Member declared the meeting closed at 2:51pm.

This page and the proceeding pages are the minutes of the Audit Committee Meeting held on Tuesday, 30 October 2012.

_________________________  _______________________
Presiding Member          Date Confirmed

West Arnhem Shire Council - 5 -                  Audit Committee
Tuesday, 30 October 2012
WEST ARNHEM SHIRE COUNCIL

FOR THE MEETING 30 JANUARY 2013

Agenda Reference:  8.1
Title:        Reports to Management from Auditors - 2009-12 and 2010-11 - Update on Actions
File Reference:  339240
Author:       Valentin Markez, Executive Manager Corporate Services

SUMMARY
To provide information to the Audit Committee about the status of outstanding action items from the Auditor’s Management Reports from the 2009-2010 and 2010-2011 financial years.

BACKGROUND
Over the past audit committee meetings, members have been presented with evidence of the action items from the 2009/2010 and 2010/2011 Report to Management on matters relating to financial issues.

COMMENT
As a number of items remain incomplete from both the above financial years and in some instances taking longer to resolve, the attached action list combines tasks for both financial years with reference to where evidence has been provided to the committee previously.

STATUTORY ENVIRONMENT
Not applicable.

POLICY IMPLICATIONS
There are a number of tasks in the action list that outline further financial policies to be developed to resolve some financial issues identified in the audits.

FINANCIAL IMPLICATIONS
Not applicable.

STRATEGIC IMPLICATIONS
There are no strategic implications identified from this report.

VOTING REQUIREMENTS
Simple majority.

RECOMMENDATION:
Recommendations will be tabled at the meeting.

ATTACHMENTS
1 Action list prior years.pdf
2 MERIT PARTNERS - MANAGEMENT LETTER 09-10 AUDIT responses with timeframes.pdf
3 management letter WASC11v4 2.pdf
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<th>Comments</th>
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<tr>
<td>1</td>
<td>09/10 ICC</td>
<td>Moderate</td>
<td>Purchasing procedures to be refined, documented and communicated with all staff.</td>
<td>Completed</td>
<td>CEO/DOCS</td>
<td>Restrictions to Council's purchasing occurred in September 2010 with limitations on CEO/Directors approving purchases. Further restrictions were made in April 2011 at a special meeting of council. Only the CEO and Directors can approve purchase orders and sign off all payments. Yes 30.11.11</td>
</tr>
<tr>
<td>2</td>
<td>09/10 ICC</td>
<td>Moderate</td>
<td>Purchasing policy.</td>
<td>Completed</td>
<td>DOCS</td>
<td>Completed</td>
</tr>
<tr>
<td>3</td>
<td>09/10 ICC</td>
<td>Moderate</td>
<td>Purchasing procedures.</td>
<td>30.11.11</td>
<td>MF</td>
<td>Quick reference guide for all staff for purchasing. Still to be completed. Yet to be completed due to lack of resources. This will be updated once the delegation manual is updated, so both documents are aligned. No</td>
</tr>
<tr>
<td>4</td>
<td>09/10 Trade Receivables</td>
<td>Moderate</td>
<td>Reconciliations regularly occurring, particularly accounts receivable</td>
<td>Completed</td>
<td>MF</td>
<td>All reconciliation tasks have been outsourced to Latitude 12 who now undertake regular bank, accounts payable and accounts receivable reconciliations in consultation with Management. Yes 30.11.11</td>
</tr>
<tr>
<td>5</td>
<td>09/10 Trade Receivables</td>
<td>Moderate</td>
<td>Development and implementation of accounts receivable policies and procedures.</td>
<td>Completed</td>
<td>DOCS/Council</td>
<td>Council approved a Debt Management Policy and Procedure in February 2011 which is now implemented throughout Council and Latitude 12. Yes 30.11.11</td>
</tr>
<tr>
<td>6</td>
<td>09/10 Trade Receivables</td>
<td>Moderate</td>
<td>Writing off bad debt claims.</td>
<td>Completed</td>
<td>MF/DOCS</td>
<td>Council reconciled all accounts receivable in January 2011 and wrote off $124,387.19 of bad debt claims at its Ordinary Council Meeting in the 8 February 2011. Yes 30.11.11</td>
</tr>
<tr>
<td>7</td>
<td>910 - Employee Entitlements</td>
<td>Moderate</td>
<td>Development and implementation procedures for reviewing and reconciling staff data, information and annual leave balances in Technology One HR/Payroll module.</td>
<td>31.11.11</td>
<td>EMHR</td>
<td>Currently being completed</td>
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<td>Revised: 31.03.13</td>
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<td>Revised: 31.03.13</td>
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<tr>
<td>8</td>
<td>910 - Employee Entitlements</td>
<td>Moderate</td>
<td>Investigate utilizing new payroll system.</td>
<td>30.09.11</td>
<td>DOCS/MF/EMHR</td>
<td>Council and Latitude 12 have considered utilizing a separate payroll system (Chris 21). Latitude 12 implemented Chris 21 for East Arnhem Shire Council last year. A decision to offer a decision on Chris 21 was made by the Acting CEO in February 2012 due to a number of queries regarding transfer of data to the new payroll system and it was considered too high a risk to undertake while a number of senior management positions were vacant. The decision whether to upgrade the payroll system to the Latitude 12 Chris 21 system if presented to Council as part of the budget consideration should identify to Council the potential conflict of interest by W.A.S.C. Board Members of Latitude 12: TechOne Issued a new version which apparently resolved the problems around leave calculations. Therefore leave information was reconciled and needs to be tested for accuracy in the coming months. If there are no issues coming from this review, there won’t be a need to look for another payroll system. No</td>
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<td>9</td>
<td>9</td>
<td>10 - Inventory</td>
<td>Moderate</td>
<td>Development of inventory management policy that includes stock management procedures suitable for all aspects of Council’s operations and to detail regularity of stocktakes.</td>
<td>31.12.11</td>
<td>MP/ Sen Fin Officer and Commercial Enterprise Specialist.</td>
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<td>10</td>
<td>9</td>
<td>10 - Receipts process</td>
<td>Low</td>
<td>Development of receiving procedures that include approval process.</td>
<td>31.12.11</td>
<td>MP/ Sen Finance Officer</td>
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<td>11</td>
<td>9</td>
<td>10 - Receipts process</td>
<td>Low</td>
<td>Staff training to be conducted in all communities dealing with banking and transactions.</td>
<td>Completed</td>
<td>Sen Finance Officer</td>
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<td>12</td>
<td>9</td>
<td>10 Payroll process</td>
<td>Low</td>
<td>Development of procedures for EFT approval.</td>
<td>Completed</td>
<td>MF</td>
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<td>13</td>
<td>9</td>
<td>10 Payroll process</td>
<td>Low</td>
<td>Development of induction management policy and checklist to include correct documentation regarding employment is completed and filed adequately.</td>
<td>Completed</td>
<td>EMHR</td>
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<td>14</td>
<td>9</td>
<td>10 Payroll process</td>
<td>Low</td>
<td>Reconciliation of employees letters of offer/contracts on HR files.</td>
<td>Completed</td>
<td>EMHR</td>
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<td>15</td>
<td>9</td>
<td>11 - Property Plant And Equipment</td>
<td>Moderate</td>
<td>Introduce biennial review of depreciation rates to the asset register.</td>
<td>January 2012 - January 2014</td>
<td>Manager Finance and Fleet Management Specialist</td>
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| 16    | 10/11 – Property Plant And Equipment | Moderate | Undertake stock take of assets bi-annually and ensure that register is maintained correctly (fixed assets removed, new assets correctly included). | Revised: 21.7.12<br>Revised: 20.9.12<br>Revised: 30.06.14 | Manager Finance and Management Specialist | To be completed. This task is considered to have been instigated as being done on a biannual basis when in fact it should have been biannual. All asset acquisitions are currently being reviewed following which the asset register will be updated with their inclusion. A full review of all WASC assets cannot be undertaken at this time due to financial constraints and should be rescheduled for 2014. This exercise will be completed as part of the revaluation of assets. Costs will be included in the budget considerations for FY 2014.

| 17    | 10/11 Payroll Process | Moderate | Produce report on the payroll master file and reconcile biannually to ensure all records and documentation regarding employee’s salaries are correct. | Revised: 31.07.12<br>Revised: 31.03.13 | Executive Manager Human Resources | Data processing and records management procedures also form part of Council's Internal Audit Plan. Some work has been completed by CouncilBiz but requires confirmation. Currently the system does not produce a Masterfile exception report which can check for new employees, changes in pay rates, changes in bank account details etc. This will be investigated with CouncilBiz to have this report as part of our payroll processes.

| 18    | 10/11 Payroll Process | Moderate | CDEP Coordinators to involve HR staff in discussions with conditions of funding for CDEP staff | Revised: 31.07.12<br>Revised: 30.01.13 | Regional Coordinator Employment Services and Executive Manager Human Resources | Issue no longer relevant. From March 2012, all CDEP participants will not be paid through Council’s systems and be totally processed by Centrelink and Australian Government software programs.

| 19    | 10/11 Inventory | Moderate | ALPA is to be contacted about the issue with processes, procedures and record-keeping to be negotiated to resolve the problem. | 31 Dec 2011 | Commercial Enterprise Specialist and ALPA | Once the issue is raised with ALPA, need to understand that it is actually happened prior audit in 2012 for the 2011/12 financial year. Copy of letter attached to agenda for 22.2.2012 Audit Committee meeting.

| 20    | 10/11 Receipts process | Low | In consultation with L12 and community supervisors, all procedures and processes will be reviewed and revised where necessary. | Revised: 21.3.13 | Manager Finance, L12 and other finance staff | Accounts Payable and receivable processes are also part of Council’s Internal Audit Plan. Inefficient resources have prevented the completion of this task to date and the problems are exacerbated by continuous staff turnover, both within WASC and L12.
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<th>Risk Rating</th>
<th>Issue</th>
<th>Completion Date</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td></td>
<td>Low</td>
<td>Reconciliation of payroll and human resource records needs to be undertaken on a biannual basis</td>
<td>Revised: 30.06.13</td>
<td>Executive Manager Human Resources</td>
<td>Human resources procedures to also form part of internal audit program. Process has commenced with issues already being identified. First time process taking longer than expected to complete because of number of issues. This was a one off instance were there was a breakdown in reporting procedures. Three daily banking sheets were not countersigned. The Jabiru Finance Officer visited all communities in 2012 to provide training to admin staff. All new admin staff are trained in Jabiru prior to commencement of their duties in their respective communities. It is suggested that Audit Committee considers this issue as completed.</td>
</tr>
</tbody>
</table>
PRIVATE & CONFIDENTIAL

13 February 2012

West Arnhem Shire Council
GPO Box 4246
Darwin NT 0801

Attn: Marc Gardner

Dear Council Members

The attached report provides our suggestions for the improvement of internal controls and accounting procedures that have come to our attention as a result of our audit of the financial statements of West Arnhem Shire Council ("the Council") for the year ended 30 June 2010.

Financial Controls

In accordance with Australian Auditing Standards, we have reviewed the Council's system of internal controls and accounting procedures for the purpose of providing a basis for reliance thereon in designing our audit procedures to gather sufficient appropriate evidence to form an opinion on the Council's financial report. While certain matters that have come to our attention during the review are presented in this report for the consideration of management, our review does not encompass all internal controls and accounting procedures, and has not been designed for the purpose of making detailed recommendations. Accordingly, you cannot assume that there are no additional matters that you should be aware of in meeting your responsibilities. As part of our audit work we tested the internal controls over the receipts, payments and payroll processes only. Please refer to Management Letter Points 5, 6 and 7 for weaknesses noted.

No other matters, other than that noted in management letter points 1 to 7, came to our attention during the course of the audit that would indicate that the financial controls, asset register and insurance cover maintained by the organization are not adequate.

Other Comments for ICC

We did not identify any matters that would indicate that the Council will not have adequate funds to meet grant surplus repayments, complete any approved activities or meet taxation liabilities or any costs associated with any court or tribunal orders made against the Council.
Furthermore nothing has come to our attention that would indicate that the Council has not discharged its statutory obligations in relation to superannuation and taxation.

The matters included in the attached report are offered for the purpose of providing constructive suggestions for the consideration of management as part of the continuous process of modifying and improving internal controls and accounting procedures. This letter and the attached report are intended solely for the use of management for this purpose, and for the information of the Council, and are not intended to be and should not be used for any other purpose or by any other party.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives. If you wish to discuss any of the matters in the attached report, please do not hesitate to contact myself or Elisabeth Tan on 8982 1444.

Yours sincerely

Amin Islam
Director
West Arnhem Shire Council  
Report to Management  

30 June 2010  

Appendix A  

<table>
<thead>
<tr>
<th>CONTENTS</th>
<th>Priority Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Compliance with Indigenous Co-ordination Centre Funding Agreement</td>
<td>B</td>
</tr>
<tr>
<td>2. Trade Receivables</td>
<td>B</td>
</tr>
<tr>
<td>3. Provision for employee entitlements</td>
<td>B</td>
</tr>
<tr>
<td>4. Inventory</td>
<td>C</td>
</tr>
<tr>
<td>5. Receipts process</td>
<td>C</td>
</tr>
<tr>
<td>6. Payments Process</td>
<td>C</td>
</tr>
<tr>
<td>7. Payroll process</td>
<td>C</td>
</tr>
</tbody>
</table>

**Priority Ratings:**  

- **A**: A major weakness that you must address now.  
- **B**: An important matter that will significantly improve the control environment, the accounting system or the operations of the business.  
- **C**: A minor weakness that you should nevertheless address to improve the control environment, the accounting system or the operations of the business.
West Arnhem Shire Council  
Report to Management  
30 June 2010

1. Compliance with Indigenous Co-ordination Centre Funding Agreement (Priority B)

**Issue:** As part of our payments testing, it was noted that Council was unable to demonstrate that it had obtained the necessary quotations and/or tenders for purchases above $10,000 for 4 items purchased.

**Observation / Effect:** The procurement process in relation to purchases is an important internal control mechanism. Further, most funding agreements generally set out specific conditions for the procurement of assets or services and require that quotations or tenders be obtained for purchases above $10,000.

Lack of or non adherence to specific procurement procedures could potentially result in inappropriate or unauthorised goods and/or services being purchased. Council may also be in contravention of funding terms and conditions.

**Recommendation:** As good practice, Council should formulate specific guidelines as part of the procurement process, and disseminate these guidelines to the relevant staff.

**Management Response:** Approval requirements have been defined in the Council’s Delegation Policy and Manual. Additionally a Purchasing Policy is currently being drafted on procurement requirements. Difficulties can be encountered in compliance with this requirement because of the remoteness of some of Council’s communities and the availability of suppliers. Management is working hard to ensure staff place file notes on quotes/purchase orders stating reasons why quotations could not be sought. Council’s new organisation chart that will be implemented in 2011/12 includes the provision of a procurement officer who’s responsibility includes compliance for all Council’s purchases and efficiencies in purchasing across the Shire.

**Management Actions**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Completion Date</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing procedures to be refined, documented and communicated with all staff.</td>
<td>Completed</td>
<td>CEO/DCCS</td>
<td>Restrictions to Council’s purchasing occurred in September 2010 with limitations on CEO/Directors approving purchases, further restrictions were made in April 2011 at a Special Meeting of Council. Only the CEO and Directors can approve purchase orders and sign of all payments.</td>
</tr>
<tr>
<td>Purchasing policy.</td>
<td>31.10.11</td>
<td>DCCS</td>
<td></td>
</tr>
<tr>
<td>Purchasing procedures.</td>
<td>30.11.11</td>
<td>MF</td>
<td></td>
</tr>
</tbody>
</table>
West Arnhem Shire Council  
Report to Management  
30 June 2010

2. Trade Receivables (Priority B)

**Issue:**
The Aged Debtors Listing shows that amounts over 90 days amounted to $1,227,918.27 or 83% of total trade debtors. It is also noted that unapplied credits amounted to $3,515,317, however, it was unclear from the listing as to what portion of the unapplied credits related to the amounts over 90 days.

**Observation / Effect:**
The provision for doubtful debts (currently $100,425 for the year ended 30 June 2010) may be inadequate. Trade receivables may potentially be misstated in the accounts.

**Recommendation:**
Management should perform regular reconciliations of amounts above 90 days and any amounts not deemed receivable should be provided for or written off.

**Management Response:**
Significant work has been undertaken in relation to Council’s debtors including the close and strict monitoring of all balances. All debts brought forward from the constituent councils have been reviewed and written off where substantive documentation could not be established. Additionally, a debt recovery policy has been developed. All debts are monitored on a monthly basis.

<table>
<thead>
<tr>
<th>Management Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issue</strong></td>
</tr>
<tr>
<td>Reconciliations regularly occurring, particularly accounts receivable.</td>
</tr>
<tr>
<td>Development and implementation of accounts receivable policy and procedures.</td>
</tr>
</tbody>
</table>
3. Provision for employee entitlements (Priority: B)

Issue: The following matters were noted during our testing of provision for employee entitlements:

- The annual leave balance on the detailed provision for annual leave listing provided by management did not agree to the amount as per the general ledger. This was because terminated employees were still included on the leave listing.
- The opening annual leave balance for one staff did not agree to the closing leave balance from the prior year.

Effect or Potential Effect: Employee provisions are potentially mis-stated in the accounts.

Recommendation: Management should also ensure that it periodically reviews the balance of annual leave accrued for the employees to ensure that the correct data is entered into the system and that the correct balances are accrued.

Management Response: Latitude 12, is the entity with carriage of Council’s payroll and maintenance of leave provisions, is reviewing all leave entitlements so that they are accurate during 10/11. Latitude 12 and Council have experienced difficulties in the configuration and reporting of TechnologyOne accounting software, in particular the reports from its payroll module. We are now considering other payroll software to ensure greater accuracy and accrual calculations are correct.

<table>
<thead>
<tr>
<th>Management Actions</th>
<th>Completion Date</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Develop and implement procedures for reviewing and reconciling staff data, information and annual leave balances in Technology One HR/Payroll module.</td>
<td>31.11.11</td>
<td>MH/MHR</td>
<td></td>
</tr>
<tr>
<td>Investigate utilising new payroll system.</td>
<td>30.09.11</td>
<td>DCCS/MF</td>
<td>Council and Latitude 12 have considered utilising a separate payroll system (Chris 21) and have also identified improvements in this area can be made with Council’s planned rollover to IT Vision financial system in 2012/13 when the Technology One contract expires</td>
</tr>
</tbody>
</table>
West Arnhem Shire Council  
Report to Management  
30 June 2010

4. Inventory (Priority: B)

**Issue:**
The following matters were noted during our testing of inventory:

- We were unable to obtain a final stock listing for Fuel inventory ($29,411) and Workshop inventory ($42,771).
- Several quantity discrepancies were noted between the final stock listing and the stock count performed by us.
- We were unable to obtain supplier invoices for 1 of 10 items selected for testing.
- Variances between the unit price as per the final stock sheet and the unit price as per the suppliers’ invoices were noted for all 10 items selected for testing.

**Effect or Potential Effect:**
Inventory values are potentially mis-stated.

**Recommendation:**
The inventory system should be updated immediately following the performance of stock counts and all stock take sheets should be verified to the final stock listing to ensure that all items have been accounted for. Any slow moving or obsolete items should also be adjusted for.

All unit costs should be verified on a regular basis to the appropriate supplier invoice to ensure that all items have been appropriately valued.

**Management Response:**
Stocktakes are only undertaken by Council on an annual basis.

Significant risks are associated with inventory in communities with ‘shrinkage’ and accuracy of information recorded by various staff. Council will now develop formal stock take procedures with two people doing the checks/counts on a more regular basis.

Council has reduced risks associated with inventory for the Gunbalanya Community Store by outsourcing management to the Arnhem Land Progress Association and is considering similar options in relation to the operation of mechanical services/workshops including fuel provision.

<table>
<thead>
<tr>
<th>Management Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issue</strong></td>
</tr>
<tr>
<td>Development of inventory management policy that includes stock management procedures suitable for all aspects of Council’s operations (Fuel, Community Stores, Workshop inventories) and to detail regularity of stocktakes.</td>
</tr>
<tr>
<td><strong>Completion Date</strong></td>
</tr>
<tr>
<td>31.12.11</td>
</tr>
<tr>
<td><strong>Responsibility</strong></td>
</tr>
<tr>
<td>MF/Sen Fin Officer and Commercial Enterprise Specialist</td>
</tr>
<tr>
<td><strong>Comments</strong></td>
</tr>
</tbody>
</table>
5. Receipts Process (Priority C)

Issue: The following issues were noted from a sample of 25 receipts selected for testing:

- In 7 of the 25 samples selected, the daily banking sheets did not have evidence of review or supervisor's approval.
- In 1 of the 25 samples selected, supporting documentation was not available for a cheque receipt.
- In 1 of the 25 samples selected, the receipt was recorded inclusive of GST.

Effect or Potential Effect: The breakdown in control procedures increases the risk fraud, error or loss.

Recommendation: Management should ensure that the daily banking sheets are reviewed by the appropriate staff and approved accordingly.

Management should also ensure that all supporting documentation relevant to the receipt of funds is appropriately filed for future reference.

Management Response: Council has now appointed an officer whose responsibilities include monitoring of all receipting/banking processes and procedures. A review of these procedures is needed, if this issue or similar is highlighted again.

<table>
<thead>
<tr>
<th>Management Actions</th>
<th>Completion Date</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of receipting procedures that include approval process.</td>
<td>31.12.11</td>
<td>MF/Sen. Finance Officer</td>
<td></td>
</tr>
<tr>
<td>Staff training to be conducted in all communities dealing with banking and transactions.</td>
<td>31.3.2012</td>
<td>Sen. Finance Officer</td>
<td></td>
</tr>
</tbody>
</table>
6. Payments Process (Priority C)

**Issue:**
The following matters were noted from a sample of 25 payments selected for testing:

- No evidence of appropriate authorisation/approval was sighted on the payment voucher for 24 of the 25 samples.
- No approved purchase orders were available for 7 of the 25 samples.

**Effect or Potential Effect:** Breakdowns in control procedures increases the risk that unauthorised or inappropriate purchases are made.

**Recommendation:** Management should ensure that, where relevant, approved purchase orders are completed for all relevant expenditure. This purchase order should be attached to all relevant supporting documentation such as invoices and payment authorisation documentation and filed for future reference. Management should also ensure that all payment vouchers are appropriately approved before payments are processed.

**Management Response:** As outlined in the response to Issue 1 at the start of this document, extremely tight controls have been introduced requiring formal approval before any purchase orders and payments are approved. All approvals are filed in Intoxpert. Formal procedures have been developed with Latitude 12 in relation to processing purchases.

**Management Actions**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Completion Date</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>See response to Issue 1.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7. Payroll Process (Priority C)

**Issue:**

The following matters were noted from a sample of 25 employees selected for testing:

- Employment contracts were unavailable for 10 (non-CDEP) employees.
- No evidence of appropriate authorisation/approval was sighted on the EFT and Payment Report in all instances.
- Contracts were unsigned by both the CEO and the employee for 2 employees.
- We were unable to agree 2 of 15 CDEP Participants tested to the relevant participant’s schedule.

**Effect or Potential Effect:**

The absence of appropriately executed employment contracts and appropriately approved EFT payment reports increases the risk that unauthorised or inappropriate wages are paid. Management is also potentially in breach of the CDEP Funding Guidelines.

Payroll expenditure may be mis-stated in the accounts.

**Recommendation:**

Management should ensure that all EFT payment reports appropriately authorised by the authorised signatories before being processed.

Management should also ensure that employment contracts and/or letters of offer are executed and maintained for each employee.

Management should further ensure that all required paperwork in relation to CDEP participants and CDEP employment is appropriately completed and filed for future reference.

**Management Response:**

All Payroll EFT files are forwarded to the CEO, DCCS and Finance Manager for review and approval. The files are uploaded by the Finance Manager and partially authorised. They are fully authorised by the DCCS and/or the CEO. In future the CEO and DCCS will be required to provide an email to the L12 payroll officer so that written authorisation is obtained.

Council inherited many payroll issues from the constituent councils, one being the lack of employment contracts for staff who transitioned to the new Council. HR has been working for some time to rectify this situation and the appointment of a new HR Manager and development of a professional HR team will see this issue resolved in time.

As with employment contracts the lack of CDEP documentation has been addressed. However there is a sunset clause in all CDEP employment contracts which will eventually result in all participants transferring over to income management. New participants are not coming on stream but rather
West Arnhem Shire Council  
Report to Management  
30 June 2010

are being placed in Work Readiness Programs with host employers or to Centrelink rather than through Council's payroll system.

<table>
<thead>
<tr>
<th>Management Actions</th>
<th>Completion Date</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of procedures for EFT approval.</td>
<td>Completed</td>
<td>MF</td>
<td>Council has now implemented procedures where all EFT transactions have to be reviewed and approved at least by a Director or CEO.</td>
</tr>
<tr>
<td>Development of induction management policy and checklist to include correct</td>
<td>Completed</td>
<td>MHR</td>
<td>Council commenced an Induction Management Policy and a Recruitment, Selection and Appointment Policy in January 2011 that outlines all</td>
</tr>
<tr>
<td>documentation regarding employment is completed and filed adequately.</td>
<td></td>
<td></td>
<td>requirements for correct documentation and filing of employment matters including contract/letters of offer handling.</td>
</tr>
<tr>
<td>Reconciliation of employees letters of offer/contracts on HR files.</td>
<td>Completed</td>
<td>MHR</td>
<td>In March 2010, all staff of Council came under the new National Local Government Award and HR files updated with new letters of offer. This</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>did not include management and executive contracts that are already in place.</td>
</tr>
</tbody>
</table>
Ref: W0039/A/ET

PRIVATE & CONFIDENTIAL

13 February 2012

West Arnhem Shire Council
GPO Box 4246
Darwin NT 0801

Attn: Marc Gardner

Dear Council Members

The attached report provides our suggestions for the improvement of internal controls and accounting procedures that have come to our attention as a result of our audit of the financial statements of West Arnhem Shire Council ("the Council") for the year ended 30 June 2011.

Financial Controls

In accordance with Australian Auditing Standards, we have reviewed the Council's system of internal controls and accounting procedures for the purpose of providing a basis for reliance thereon in designing our audit procedures to gather sufficient appropriate evidence to form an opinion on the Council's financial report. While certain matters that have come to our attention during the review are presented in this report for the consideration of management, our review does not encompass all internal controls and accounting procedures, and has not been designed for the purpose of making detailed recommendations. Accordingly, you cannot assume that there are no additional matters that you should be aware of in meeting your responsibilities. As part of our audit work we tested the internal controls over the receipts, payments and payroll processes only. Please refer to Management Letter Points 4 and 5 for weaknesses noted.

No other matters, other than that noted in management letter points 1 to 5, came to our attention during the course of the audit that would indicate that the financial controls, asset register and insurance cover maintained by the organization are not adequate.

Financial Review

Council has made an operational loss before depreciation of $1,637,107 in the current year (2010: $1,837,120). After depreciation, Council recorded a loss for the year of $6,382,689, (2010: loss of $6,810,169). Based on Council's Statement of Working Capital, Council has a working capital ratio of 0.62 (2010: ratio of 1.22), and is in a net current liability position of $1,494,834. Council needs to monitor its cashflow situation closely, and may need to source for additional funding from its stakeholders to continue in its current form.
Other Comments for ICC

We did not identify any matters that would indicate that the Council will not have adequate funds to meet grant surplus repayments, complete any approved activities or meet taxation liabilities or any costs associated with any court or tribunal orders made against the Council.

Furthermore nothing has come to our attention that would indicate that the Council has not discharged its statutory obligations in relation to superannuation and taxation.

The matters included in the attached report are offered for the purpose of providing constructive suggestions for the consideration of management as part of the continuous process of modifying and improving internal controls and accounting procedures. This letter and the attached report are intended solely for the use of management for this purpose, and for the information of the Council, and are not intended to be and should not be used for any other purpose or by any other party.

We wish to express our appreciation for the courtesies and cooperation extended to our representatives. If you wish to discuss any of the matters in the attached report, please do not hesitate to contact myself or Elisabeth Tan on 8982 1444.

Yours sincerely

Amin Islam
Director
West Arnhem Shire Council
Report to Management

30 June 2011

Appendix A

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1. Property, plant & equipment
2. Payroll process
3. Inventory
4. Receipts process
5. Provision for employee entitlements

Priority Ratings:

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<thead>
<tr>
<th>Priority</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>A major weakness that you must address now.</td>
</tr>
<tr>
<td>B</td>
<td>An important matter that will significantly improve the control environment, the accounting system or the operations of the business.</td>
</tr>
<tr>
<td>C</td>
<td>A minor weakness that you should nevertheless address to improve the control environment, the accounting system or the operations of the business</td>
</tr>
</tbody>
</table>

B

C
West Arnhem Shire Council  
Report to Management  
30 June 2011

1. Property, plant & equipment (Priority: B)

**Issue:** The following matters were noted from our testing of property, plant & equipment:

a) In one instance, a motor vehicle (MV 000045) sold in February 2010 had not been removed from the fixed assets register;  
b) The asset register currently does not contain details of the location of the assets; and  
c) It was noted that the depreciation rate for the following sample of infrastructure assets tested were not in accordance with the Council’s depreciation policy:

<table>
<thead>
<tr>
<th>Asset No</th>
<th>Description</th>
<th>Council depreciation policy</th>
<th>Depreciation per asset register</th>
</tr>
</thead>
<tbody>
<tr>
<td>IF-000112</td>
<td>Seal – Spray seal</td>
<td>5-50 years</td>
<td>4 years</td>
</tr>
<tr>
<td>IF-000250</td>
<td>Pipework – 375mm</td>
<td>5-50 years</td>
<td>72 years</td>
</tr>
<tr>
<td>IF-000251</td>
<td>Pipework – 225mm</td>
<td>5-50 years</td>
<td>72 years</td>
</tr>
<tr>
<td>IF-000252</td>
<td>Pipework – 150mm</td>
<td>5-50 years</td>
<td>72 years</td>
</tr>
</tbody>
</table>

**Effect or Potential Effect:** Asset values are potentially mis-stated in the accounts. Tracking and monitoring the assets may also potentially be more difficult and time consuming without the location of the assets detailed as easy reference.

**Recommendation:** Council should conduct periodic reviews of the depreciation rates applied in the asset register and ensure they are consistent with the accounting policy in the financial report.

Council should also conduct a stock take of assets and remove all assets that were disposed off; obsolete or no longer in use from the fixed asset register. The asset register should also contain details of the location of the assets for monitoring purposes.

Asset additions should also be matched to the general ledger to ensure that all asset additions are duly recorded and accounted for.

**Management Response:**

- Mistakes can be attributed to the up-take of the asset revaluation undertaken by Maloney’s. Considering the amount of data uploaded the mistakes are very few and minor.  
- Introduce biennial reviews of depreciation rates applied to the asset register;  
- Due to the cost involved undertake stock take of assets bi-annually and ensure that register is maintained correctly (fixed assets removed, new assets correctly included);  
- Asset additions are matched to the GL during the EOY reconciliations.  
- Resources will be allocated to the task of adding the community to each asset in the register during 11-12.
West Arnhem Shire Council  
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Management Actions

<table>
<thead>
<tr>
<th>Issue</th>
<th>Completion Date</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduce biennial reviews of depreciation rates applied to the asset register.</td>
<td>January 2012, June 2012</td>
<td>Manager Finance and Fleet Management Specialist</td>
<td>Asset management is identified as a medium risk in the Risk register and an internal audit focus as part of Council's internal audit plan 2011/12 to 2013/14.</td>
</tr>
<tr>
<td>Undertake stock take of assets bi-annually and ensure that register is maintained correctly (fixed assets removed, new assets correctly included).</td>
<td>January 2012, June 2012</td>
<td>Manager Finance and Fleet Management Specialist</td>
<td></td>
</tr>
</tbody>
</table>
2. Payroll Process (Priority B)

**Issue:**

The following matters were noted from a sample of 25 employees selected for testing:

- There was no evidence of log report being produced and reviewed regularly for changes to employees master file details.
- In one instance out of 10 samples, we were unable to obtain support for an employee's pay rate.
- In four instances out of 15 samples, it was noted that CDEP employees' names were not on the "CDEP Case Load Report"
- In 5 instances out of 15 samples, we were unable to sight the CDEP participants' authorisation for deduction.

**Effect or Potential Effect:**

Management is potentially in breach of the CDEP Funding Guidelines. The absence of appropriately executed employment contracts and appropriately approved EFT payment reports also increases the risk that unauthorised or inappropriate wages are paid.

Payroll expenditure may be mis-stated in the accounts.

**Recommendation:**

An exception report detailing changes to the master file details should be printed and reviewed on a periodic basis (e.g. monthly) with changes being approved by a manager/supervisor.

Council should also ensure that there are updated employment contracts and/or pay increment letters for all employees.

Management should further ensure that all required paperwork in relation to CDEP participants and CDEP employment is appropriately completed and filed for future reference. All conditions of CDEP funding should be fully complied with.

**Management Response:**

- Produce report on the master file and reconcile bi-annually to ensure all records and documentation regarding employee's salaries are correct.
- CDEP Coordinators to involve HR staff in discussions with conditions of funding for CDEP staff.
- Issue will be resolved in April 2012 when all CDEP participants will be moving to Centrelink payments and Council will not be responsible for transacting CDEP participant's wages through Council's payroll system.

**Management Actions**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Completion Date</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produce report on the master file and reconcile bi-annually to ensure all records and documentation</td>
<td>January 2012 and July 2012</td>
<td>Executive Manager Human Resources</td>
<td>Data processing and records management procedures also form part of Council's</td>
</tr>
</tbody>
</table>
West Arnhem Shire Council  
Report to Management  

30 June 2011

<table>
<thead>
<tr>
<th>regarding employee’s salaries are correct.</th>
<th>Internal Audit Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>CDEP Coordinators to involve HR staff in discussions with conditions of funding for CDEP staff.</td>
<td>31 December 2011</td>
</tr>
</tbody>
</table>
West Arnhem Shire Council  
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30 June 2011

3. Inventory (Priority: B)

**Issue:** We were unable to obtain supplier invoices for 5 of 10 Gunbalanya Store inventory items selected for unit price testing.

**Effect or Potential Effect:** Inventory values are potentially mis-stated.

**Recommendation:** All unit costs should be verified on a regular basis to the appropriate supplier invoice to ensure that all items have been appropriately valued. Supplier invoices should then be maintained on file for future reference.

**Management Response:**
- Same issue as last year.
- The Gunbalanya store is managed by ALPA under a contractual agreement with WASC. ALPA is to be contacted about the issue with processes, procedures and record-keeping to be negotiated to resolve the problem.

**Management Actions**

<table>
<thead>
<tr>
<th>Issue</th>
<th>Completion Date</th>
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<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALPA is to be contacted about the issue with processes, procedures and record-keeping to be negotiated to resolve the problem.</td>
<td>31 December 2011</td>
<td>Commercial Enterprise Specialist and ALPA</td>
<td>Once the issue is raised with ALPA, need to undertake check that it is actually happened prior to audit in 2012 for the 2011/12 financial year.</td>
</tr>
</tbody>
</table>
West Arnhem Shire Council  
Report to Management  
30 June 2011

4. Receipts Process (Priority C)

**Issue:** The following issues were noted from a sample of 25 receipts selected for testing:

- In 3 instances, the daily banking sheets did not have evidence of review or supervisor’s approval.

**Effect or Potential Effect:** The breakdown in control procedures increases the risk fraud, error or loss.

**Recommendation:** Management should ensure that the daily banking sheets are reviewed by the appropriate staff and approved accordingly.

Management should also ensure that all supporting documentation relevant to the receipt of funds is appropriately filed for future reference.

**Management Response:**
- Need to ascertain the exact nature of the break down in procedures to isolate the problem.
- Responsibility for receiving on a daily basis moved from WASC to L12 during the year and consequently there may have been a breakdown with adherence to the correct processes.
- In consultation with L12 and community supervisors all procedures and processes will be reviewed and revised where necessary.

<table>
<thead>
<tr>
<th>Management Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issue</strong></td>
</tr>
<tr>
<td>In consultation with L12 and community supervisors, all procedures and processes will be reviewed and revised where necessary.</td>
</tr>
</tbody>
</table>
West Arnhem Shire Council
Report to Management

30 June 2011

5. Provision for employee entitlements (Priority: C)

Issue: For one employee from a sample of 5 employees tested, the pay rate as per the annual leave report ($27.87) did not agree to the pay rate as per the employment contract provided ($25.36). We understand that the employee had received a pay increment, but Council was unable to provide the latest employee contract and/or pay increment letter.

Effect or Potential Effect: Payroll expenditure may be mis-stated in the accounts.

Recommendation: Council should ensure that, where relevant, updated contracts are executed or a pay increment letter issued, and filed in the employee file for future reference.

Management Response:
- See response to item 2 about payroll processes, plus:
- Reconciliation of payroll and human resource records needs to be undertaken on a bi-annual basis;
- Human Resources staff are to ensure appropriate records and documentation are kept for each staff member, particularly details of salary levels and increments.

Management Actions

<table>
<thead>
<tr>
<th>Issue</th>
<th>Completion Date</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of payroll and human resource records needs to be undertaken on a bi-annual basis</td>
<td>January 2012, July 2012</td>
<td>Executive Manager Human Resources</td>
<td>Human resources procedures to also form part of internal audit program.</td>
</tr>
</tbody>
</table>
WEST ARNHEM SHIRE COUNCIL

FOR THE MEETING 30 JANUARY 2013

<table>
<thead>
<tr>
<th>Agenda Reference:</th>
<th>8.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title:</td>
<td>Audit Management Letter 2011/12 Response</td>
</tr>
<tr>
<td>File Reference:</td>
<td>339241</td>
</tr>
<tr>
<td>Author:</td>
<td>Valentin Markez, Executive Manager Corporate Services</td>
</tr>
</tbody>
</table>

SUMMARY

This report outlines Council’s response to the Management Letter provided by Council’s Auditors (Merit Partners) relating to the 2011/12 financial year audit. It is relevant to consider the issues outlined in the Management Letter and for the committee to consider Council’s response to the matters outlined.

BACKGROUND

Council was provided with a ‘Report to Management’ (Management Letter) concerning the issues identified as part of the audit. The auditors did not identify any High risk rating issues in their audit and there were no qualifications from this audit.

Moderate risk issues outlined in the letter included:
1. Accrued Expenses
2. Impairment of Assets
3. Breach of Local Government Act and (Accounting) Regulations Requirements

Low risk issues identified included:
1. Contractual Cash Flows
2. Payroll Process
3. Payments Process

COMMENT

Management have compiled a response to the Auditors and included an action list with timeframes to either rectify matters or develop policy and procedures that will reduce Council’s risk in the areas identified.

STATUTORY ENVIRONMENT

Not applicable.

POLICY IMPLICATIONS

A number of policies and procedures have been identified either as a recommendation by the auditors or as a response by Council staff including:

- Purchasing policy and procedures (not completed);
- Delegation manual and procedures (to be updated);
- Debt management policy (completed);

Outstanding policies will be developed with the timeframes outlined in the response, processed through Council’s Finance and Policy Committee and incorporated into Council’s policy register.
FINANCIAL IMPLICATIONS
Not applicable.

STRATEGIC IMPLICATIONS
Not applicable.

VOTING REQUIREMENTS
Simple majority

RECOMMENDATION:
That the Committee receives the report in relation to the 2011/2012 Report to Management from Merit Partners and accepts management responses to the matters outlined.

ATTACHMENTS
1  WASC letter to those charged with Governance FY 11-12.doc
2  Action list FY 11-12.pdf
25 January 2013

The Council Members
West Arnhem Shire Council
GPO Box 4246
Darwin NT 0801

Attention: Valentin Markez

Dear Council Members

**2012 Audit of West Arnhem Shire Council**

In order to carry out our duties and responsibilities as auditors, Merit Partners is required by ASA 260 “Communication of Audit Matters to Those Charged With Governance” ("ASA 260"), to communicate to you setting out the following matters in respect of the audit of the West Arnhem Shire Council (the “Council”).

Our fieldwork is complete and we have issued an unqualified opinion.

**Qualitative aspects of accounting practices and financial reporting**

The following key audit and accounting issues were discussed and agreed with Barbara Newland and Valentin Markez on [insert date] on [insert month] 2012.

In our professional judgement, the findings below need to be communicated in writing to you.

**Audit findings and conclusions 1: Accrued Expenses – Gunbalanya Store**

The Council had recorded accrued expenses of $104,192 for Gunbalanya Store that could not be substantiated by either purchase orders or supplier invoices. We understand from management that this amount was a provision for legal costs anticipated to be incurred should the Council transfer ownership of the store back to the Community. This is in contravention of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* which defines a Liability as a "present obligation of the entity arising from past events". As the Council has not incurred any liability for legal expenses as at 30 June 2012, audit has raised an audit adjustment to reverse this amount. Refer to Appendix B – Audit Recommendations for further discussion.

**Audit findings and conclusions 2: Impairment of Assets**

AASB 136 *Impairment of Assets* requires an entity to compare the recoverable amount of the entity’s assets to its carrying amount each year. For the year ended 30 June 2012, the Council has not performed the formal exercise of determining the recoverable amount of Council’s Property, Plant & Equipment. The fixed assets of Council may be mis-stated. Refer to Appendix B – Audit Recommendations for further discussion.
Audit findings and conclusions 3: Breach of Local Government Act and Accounting Regulations Requirements
Section 15(d)(i) of the Local Government Accounting Regulations provides that a council must show the carrying value of assets that can be reliably attributed to each function (as defined in the ABS Local Government Purpose classification).

It was noted that although income and expenditure that can be reliably attributed to each function was presented in the notes to the financial statements, carrying value of the assets for each function was not presented. Refer to Appendix B – Audit Recommendations for further discussion.

Audit findings and conclusions 4: Contractual Cash Flows
Council currently does not disclose the contractual cashflows of its financial liabilities as required by AASB 7 Financial Instruments Disclosures. Refer to Appendix B – Audit Recommendations for further discussion.

Audit findings and conclusions 5: Payroll Process
We were unable to sight the relevant CDEP Pay Deduction Authorisation forms for 5 out of a sample of 15 employees selected for testing. Refer to Appendix B – Audit Recommendations for further discussion.

Audit findings and conclusions 6: Payments Process
It was noted for 1 out of 3 relevant payment samples selected for testing that tenders or quotes had not been obtained. Refer to Appendix B – Audit Recommendations for further discussion.

Written Representations from Management
We have received a letter of representation from management. A copy of this letter is available on request.

Internal control themes and observations
As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

The matters reported in Appendix B – Audit Recommendations are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.
### Status of previous year's recommendations

<table>
<thead>
<tr>
<th>Description of significant deficiency</th>
<th>Update</th>
</tr>
</thead>
<tbody>
<tr>
<td>We noted that depreciation rate for a sample of infrastructure assets were not in accordance with the depreciation policy. It was also noted in one instance that a motor vehicle sold during the year had not been removed from the fixed assets register.</td>
<td>No such issues were observed for the current year audit.</td>
</tr>
<tr>
<td>We noted several breakdowns in internal controls over the payroll process.</td>
<td>Missing CDEP pay authorisation deduction forms were noted for 5 out of 15 employees tested and included in management letter for 2012.</td>
</tr>
<tr>
<td>We were unable to obtain supplier’s invoices for some Gunbalanya store inventory items for unit price testing.</td>
<td>No such issues were observed for the current year audit.</td>
</tr>
<tr>
<td>We noted in 3 out of 25 instances of receipts controls testing, that the daily banking sheets did not have evidence of review or supervisor’s approval.</td>
<td>No such issues were observed for the current year audit.</td>
</tr>
<tr>
<td>In our testing of the provision for employee entitlements, it was noted for one employee from a sample of 5 employees tested, the pay rate as per the annual leave report did not agree to the pay rate as per the employment contract provided. We understand that the employee had received a pay increment, but Council was unable to provide the latest employee contract and/or pay increment letter.</td>
<td>No such issues were observed for the current year audit.</td>
</tr>
</tbody>
</table>

### Independence

We confirm that we have complied with the Australian professional ethical pronouncements, and in our professional judgment, the engagement team and Merit Partners are independent.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

ASA 260 requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

Listed in Appendix A are Merit Partners key firm-wide policies and processes to maintain independence and objectivity.
Uncorrected misstatements

During the course of our audit, we have identified the following uncorrected misstatements

<table>
<thead>
<tr>
<th>Description</th>
<th>Line item</th>
<th>Balance sheet effect</th>
<th>Income statement effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Dr</td>
<td>Cr</td>
</tr>
<tr>
<td>To accrue for 2012 audit fees</td>
<td>Audit Fee Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accrued Expenses General</td>
<td></td>
<td>30,200</td>
</tr>
<tr>
<td>To adjust for variance between accrued salaries and wages as per payroll report and as per the general ledger</td>
<td>Salary Expense Normal</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accrued Expenses General</td>
<td></td>
<td>22,342</td>
</tr>
<tr>
<td>To reverse amounts recorded in the liability account and take up as income</td>
<td>Income in advance</td>
<td>98,842</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Operating Grant income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>To reverse accrued expenses for which there is no purchase order/supplier invoices</td>
<td>Accrued Expenses - ALPA</td>
<td>104,192</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expenses (Various)</td>
<td></td>
<td>104,192</td>
</tr>
<tr>
<td>TOTAL ADJUSTMENTS</td>
<td></td>
<td>203,034</td>
<td>52,542</td>
</tr>
</tbody>
</table>

We encourage you to adjust the financial statements for all identified misstatements. If the misstatements are not corrected, then we request that you provide in writing, your reasons for not correcting the misstatements.

This letter has been prepared for the sole use of the council members, management and others within the Council. It must not be disclosed to a third party or quoted to or referred to without our written consent. No responsibility is assumed by Merit Partners to any other person.

Finally we would like to take this opportunity to thank your staff for the co-operation we have received throughout our audit. If there are any further matters which you wish to discuss concerning our audit, please do not hesitate to call us.

Yours faithfully

Aminul Islam
Director
Merit Partners
Merit Partners has policies and procedures that instil professional values as part of Firm culture and ensure the highest standards of objectivity, independence and integrity are maintained. Listed below are some of the key policies and processes in place within Merit Partners for maintaining objectivity and independence:

<table>
<thead>
<tr>
<th><strong>Financial Interests</strong></th>
<th>Our Partners and client facing (technical) staff are prohibited from investing in any audit client. Our partners and staff are required to confirm their compliance each year with our Firm’s independence policies.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Training</strong></td>
<td>Our partners and staff are required to undergo regular mandatory training on our independence and ethical policies and processes.</td>
</tr>
<tr>
<td><strong>Consultation</strong></td>
<td>The Firm requires that the audit team consult with a second independent partner on complex accounting and auditing matters.</td>
</tr>
<tr>
<td><strong>Non-audit Services</strong></td>
<td>Our audit engagement partners must approve any non-audit services offered to their clients. This allows them to:</td>
</tr>
<tr>
<td></td>
<td>► ensure the objectives of the proposed engagement are not inconsistent with the objectives of the audit of the financial statement;</td>
</tr>
<tr>
<td></td>
<td>► identify and assess any related threats to our objectivity; and</td>
</tr>
<tr>
<td></td>
<td>► assess the effectiveness of available safeguards to eliminate such threats or reduce them to an acceptable level.</td>
</tr>
<tr>
<td></td>
<td>Where no satisfactory safeguards exist we do not carry out the non-audit service.</td>
</tr>
<tr>
<td><strong>Ethics</strong></td>
<td>Our code of conduct provides an ethical framework on which we base our decisions and our actions—as individuals and as members of Merit Partners.</td>
</tr>
</tbody>
</table>
### Appendix B

**CONTENTS**

<table>
<thead>
<tr>
<th>Risk Rating</th>
<th>CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Accrued Expenses</td>
</tr>
<tr>
<td></td>
<td>2. Impairment of Assets</td>
</tr>
<tr>
<td></td>
<td>3. Breach of Local Government Act and Accounting Regulations</td>
</tr>
<tr>
<td></td>
<td>4. Contractual Cash Flows</td>
</tr>
<tr>
<td></td>
<td>5. Payroll process</td>
</tr>
<tr>
<td></td>
<td>6. Payments process</td>
</tr>
</tbody>
</table>

**Overview of Risk Rating System:**

Though we have rated each finding individually on a stand alone basis, you should also assess the collective impact of these matters, together with other findings from within your Council.

<table>
<thead>
<tr>
<th>Risk Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Immediate corrective action is required. These recommendations relate to a serious weakness which exposes the organisation to a material extent in terms of achievement of corporate objectives, financial results or otherwise impair the Group’s reputation.</td>
</tr>
<tr>
<td>Moderate</td>
<td>Corrective action is required, generally within 6 months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed.</td>
</tr>
<tr>
<td>Low</td>
<td>Corrective action is required, generally within 6 to 12 months. A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management.</td>
</tr>
</tbody>
</table>
1. **Accrued Expenses (Risk Rating: Moderate)**

**Issue:** The Council had recorded accrued expenses of $104,192 for Gunbalanya Store that could not be substantiated by either purchase orders or supplier invoices. We understand from management that this amount was a provision for legal costs anticipated to be incurred should the Council transfer ownership of the store back to the Community.

**Effect or Potential Effect:** This is in contravention of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* which defines a Liability as a “present obligation of the entity arising from past events”. Council has not incurred any liability for legal expenses as at 30 June 2012.

**Recommendation:** Management should ensure that the assets and liabilities of the Council are recorded in accordance with applicable accounting standards.

**Management Response:** These are allocations for insurance, audit fees and other costs incurred by the Shire on behalf of the Gunbalanya Store for the past years and have been accrued in the Store accounts since 2009. These costs are considered operating costs as per the management and accounting agreement signed between the Shire and the association that manages the Store. West Arnhem did not invoice the Store for these services as of 30 June 2012. This accrual will be removed once the Shire invoices the Store.
2. Impairment of Assets (Risk Rating: Moderate)

**Issue:**
AASB 136 *Impairment of Assets* requires an entity to compare the recoverable amount of the entity’s assets to its carrying amount each year. Where the amount of the asset carried in the books of the entity exceeds the amount to be recovered through use or sale of the asset, the asset is described as impaired and AASB 136 requires an impairment loss to be recognised through the profit and loss.

For the year ended 30 June 2012, the Council has not performed the formal exercise of determining the recoverable amount of Council’s Property, Plant & Equipment.

**Effect or Potential Effect:**
The Council is not in strict compliance with AASB 136. The fixed assets of Council may be mis-stated.

**Recommendation:**
Council should ensure that it performs annual assessments of its assets as required by AASB 136. An impairment loss should then be raised for any assets whose carrying values exceed their recoverable amounts.

**Management Response:**
Recoverable amounts were considered for all assets of the Shire as of 30 June 2012. However we failed to document that the process was done. A system to document the outcome of this assessment will be implemented. It should be noted that carrying values of current and non current assets were also confirmed by the Audit Committee on the meeting of 30 October 2012 before the accounts were approved for signing.
3. Breach of Local Government Act and (Accounting) Regulations Requirements
(Risk Rating: Moderate)

**Issue:** Section 15(d)(i) of the Local Government (Accounting) Regulations provides that a Council must show the carrying value of assets that can be reliably attributed to each function (as defined in the ABS Local Government Purpose Classification).

It was noted that while income and expenditure that could be reliably attributed to each function was presented in the notes to the financial statements, the carrying value of the assets for each function was not presented.

**Effect or Potential Effect:** Council is potentially in breach of the Local Government Act and Local Government (Accounting) Regulations.

**Recommendation:** Council should ensure that it complies with the requirements of the Local Government Act and Local Government (Accounting) Regulations to avoid penalties and/or sanctions.

**Management Response:** We accept that there is a breach of the Local Government (Accounting) Regulations. Unfortunately TechOne system has not been configured to provide this type of information for assets. Currently we don’t have the resources to perform this configuration, and will liaise with the Department of Local Government on how to deal with this matter.
4. Contractual Cash Flows (Risk Rating: Low)

**Issue:**
In Note 18 of the Council’s Financial Report, Council has disclosed the maturity analysis for its financial liabilities, all of which has currently been disclosed as fully payable within one year.

While we acknowledge that it is probable that Council’s liabilities are settled within the one year timeframe, AASB 7 *Financial Instrument Disclosures* paragraph B11C requires an entity to show the remaining contractual maturities for its financial liabilities and to disclose these financial liabilities in the appropriate time bands.

**Effect or Potential Effect:**
Council is potentially not in compliance with AASB 7 should some of Council’s liabilities be settled outside the one year timeframe.

**Recommendation:**
We encourage Council to perform an analysis to determine the timeframes in which its financial liabilities are expected to be settled, and to disclose them in the appropriate time bands accordingly.

**Management Response:**
Noted. This information will be prepared for future years. It should be noted that the auditors did not request this information at the time of performing the audit. Otherwise it would have been prepared and provided.
5. Payroll Process (Risk Rating: Low)

**Issue:** In 5 instances out of a sample of 15 CDEP employees selected for testing, we were unable to sight the employees’ authorisation for deductions made from their pays.

**Effect or Potential Effect:** Management could be potentially in breach of the CDEP Funding Guidelines. The absence of pay deduction authorisation form increases the risk of unauthorised or inappropriate deductions from CDEP wages, and Council will not have any supporting documentation should the employees dispute these deductions.

**Recommendation:** Council should ensure that there are updated pay deduction authorisation forms on hand for all employees.

**Management Response:** These employees were engaged by the constituent councils and the Shire does not have the records. An internal audit will be carried out to ensure all CDEP employees have proper documentation on file.
6. Payments Process (Risk Rating: Low)

**Issue:**
As part of our payments testing, it was noted that Council was unable to demonstrate that it had obtained the necessary quotations and/or tenders for purchases above $10,000 for 1 item purchased.

**Effect or Potential Effect:**
The procurement process in relation to purchases is an important internal control mechanism. Further, most funding agreements generally set out specific conditions for the procurement of assets or services and require that quotations or tenders be obtained for purchases above $10,000.

Lack of or non-adherence to specific procurement procedures could potentially result in inappropriate or unauthorised goods and/or services being purchased. Council may also be in contravention of funding terms and conditions.

**Recommendation:**
As good practice, Council should formulate specific guidelines as part of the procurement process, and disseminate these guidelines to the relevant staff.

**Management Response:**
Noted. This has been a failure in internal controls. Purchasing procedures will be documented to address this issue. Currently the Shire follows the purchasing procedures as per the Local Government Accounting regulations. All purchase requisitions are approved by executive management who should ensure proper quotations have been obtained as per the Regulations.
<table>
<thead>
<tr>
<th>Ref #</th>
<th>Audit Letter Ref</th>
<th>Risk Rating</th>
<th>Issue</th>
<th>Completion Date</th>
<th>Responsibility</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>11/12 Accrued Expenses</td>
<td>Moderate</td>
<td>The Council had recorded accrued expenses of $104,750 for Gumbalarnu Store that could not be substantiated by either purchase orders or supplier invoices.</td>
<td>28.02.13</td>
<td>Manager - Finance - Exec Mgr Corporate Services</td>
<td>These are allocations for insurance, audit fees and other costs incurred by the Shire on behalf of the Gumbalarnu Store for the past years. These costs are considered operating costs as per the management and accounting arrangement signed between the Shire.</td>
</tr>
<tr>
<td>23</td>
<td>11/12 Impairment of Assets</td>
<td>Moderate</td>
<td>For the year ended 30 June 2012, the Council has not performed the formal exercise of determining the recoverable amount of Council's Property, Plant &amp; Equipment.</td>
<td>31.01.13</td>
<td>Manager - Finance - Exec Mgr Corporate Services</td>
<td>Recoverable amounts were considered for all assets of the Shire as of 30 June 2012. However, we failed to document that the process was done. This will be done for future audits. It should be noted that for assets carrying values of current and non-current assets, it is suggested that Audit Committee reviews this issue as completed.</td>
</tr>
<tr>
<td>24</td>
<td>11/12 Broach of Local Government Act and Accounting Regulations Requirements</td>
<td>Moderate</td>
<td>Section 15(1)(d) of the Local Government Accounting Regulations provides that a Council must show the carrying value of assets that can be reliably attributed to each function as defined in the ABS Local Government Purpose Classification. It was not</td>
<td>30.06.13</td>
<td>Manager - Finance - Exec Mgr Corporate Services</td>
<td>Tidbit system has not been configured to provide this type of information. This issue about the requirement of this information in the Financial Statements was discussed with the Department of Local Government. The discussion was around modifying the Act so</td>
</tr>
<tr>
<td>25</td>
<td>11/12 Contractual Cash Flows</td>
<td>Low</td>
<td>In note 18 of the Council’s Financial Report, Council has disclosed the maturity analysis for its financial liabilities, all of which has currently been disclosed as fully payable within one year. While we acknowledge that it is probable that Council's li</td>
<td>31.01.13</td>
<td>Manager - Finance - Exec Mgr Corporate Services</td>
<td>Noted. Will be considered in future preparation of Financial Statements.</td>
</tr>
<tr>
<td>26</td>
<td>11/12 Payroll Process</td>
<td>Low</td>
<td>In 5 instances out of a sample of 15 GDEP employees selected for testing, we were unable to sight the employed authorization for deductions made from their pays.</td>
<td>30.06.13</td>
<td>Manager - Finance - Exec Mgr Corporate Services</td>
<td>These employees were engaged by the constituent councils and the Shire does not have the records. An internal audit will be carried out to ensure all GDEP employees have proper documentation on file. However, this will be completed following confirmation</td>
</tr>
<tr>
<td>27</td>
<td>11/12 Payments Process</td>
<td>Low</td>
<td>As part of our payments testing, it was noted that Council was unable to demonstrate that it had obtained the necessary quotations and/or tenders for purchases above $10,000 for 1 item purchased.</td>
<td>31.01.13</td>
<td>Manager - Finance - Exec Mgr Corporate Services</td>
<td>Noted. This has been a failure in internal controls. Purchasing procedures will be documented and addressed in this issue as per item #1. Currently the Shire follows the purchasing procedures of Local Government Accounting regulations. All purchase quotations will be solicited and reviewed.</td>
</tr>
</tbody>
</table>
SUMMARY
This report is submitted for Council to consider the progress on outstanding resolutions from Audit Committee Meetings from 2009.

BACKGROUND
This report is a standard report submitted to the Committee to note the actions taken with respect to Council resolutions.
The attached summary provides the current status of the resolutions as provided by the relevant staff.

COMMENT
No additional comment is provided for this report.

STATUTORY ENVIRONMENT
Not applicable.

POLICY IMPLICATIONS
No specific policies apply to this report.

FINANCIAL IMPLICATIONS
Not applicable

STRATEGIC IMPLICATIONS
There are no strategic implications identified from this report.

VOTING REQUIREMENTS
Simple majority.

RECOMMENDATION:
Recommendation will be tabled at the meeting.

ATTACHMENTS
1 AUDIT COMMITTEE Action List January 2013.pdf
<table>
<thead>
<tr>
<th>Date of Meeting</th>
<th>Resolution number</th>
<th>Action Item</th>
<th>Status</th>
<th>Comment</th>
<th>Action Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>03.06.2011</td>
<td>ACM007/2011</td>
<td>2009-2010 Audited Financial Statements and Management Letter</td>
<td>IN</td>
<td>Finance Manager has contacted Merit Partners regarding this issue - awaiting a response.</td>
<td>Finance Manager</td>
</tr>
<tr>
<td>23.08.2011</td>
<td>ACM14/2011</td>
<td>Business Risk Assessment Methodology</td>
<td>IN</td>
<td>Finance Manager has contacted Merit Partners regarding this issue.</td>
<td>Finance Manager</td>
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<tr>
<td>30.11.2011</td>
<td>ACM025/2011</td>
<td>Annual Financial Statements 2010-11</td>
<td>IN</td>
<td>This item has been noted in the Auditor's Management Report regarding the 11/12 Audit. It is not possible at this time to conduct a full review of all assets to determine the ASB function to which assets should be assigned due to staff shortages. Council will liaise with the Local Govt Department in regards to this matter.</td>
<td>Manager Finance</td>
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<td>Date of Meeting</td>
<td>Resolution number</td>
<td>Action required</td>
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<td>30.11.2011</td>
<td>ACM029/2011</td>
<td>Internal Audit Plan 2011/12 to 2013/14</td>
<td>FINALISED</td>
<td>The Committee notes that internal audit activities not governed by the internal audit plan will be occurring prior to 30 June 2012 at the discretion of the CEO and will be reported back to this Committee.</td>
<td>Executive Manager Corporate Services</td>
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<td>Internal audits of the Gunbalanya Store and the Childcare were performed in late 2012. Council is compiling management responses to the matters raised.</td>
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<td>22.02.2012</td>
<td>ACM032/2012</td>
<td>Amendments to Draft Risk Register</td>
<td>IN PROGRESS</td>
<td>That Council: 1) accepts the Risk Register (Management Strategies) be updated as follows: a) target dates for mitigation strategy actions to be provided, and b) progress reports on strategy actions to be provided as a chronological record 2) accepts the Officer recommendation to amend the following Risk Subject ratings: a) P.01 – Staff Turnover – change from High to Medium, b) I.01 – Cultural Beliefs – change from High to Medium, c) F.03 – Cash Management – change from High to Medium, and the listed Subjects be assessed by Internal Audit to verify the actions taken to change the rating have been implemented and justify the change status.</td>
<td>Executive Manager Corporate Services</td>
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<td><strong>Minute Notes:</strong> The Register presented in attachment 2 - Risk Register (with management strategy progress) – does not include medium and low risk projects Target dates for all items to be incorporated to next version of report. The next version of the Risk Register shall include the new as well as the previous management comments.</td>
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<td>Date of Meeting</td>
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<td>Action required</td>
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<td>06.06.2012</td>
<td>ACM041/2012</td>
<td>Reports to Management from Auditors - 2009-10 and 2010-11 - Update on Actions</td>
<td>FINALISED</td>
<td>The &quot;Reports to Management from Auditors&quot; Manager Finance Action List has been updated.</td>
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<td>That the Audit Committee receives the report in relation to the 2009/2010 and 2010/2011 Report to Management from Merit Partners and notes the following progress on matters from the report:</td>
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<td>item 3: Revised completion Date 30.6.2012 accepted;</td>
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<td>item 7: Revised completion date 30.09.2012 accepted;</td>
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<td>item 8: The decision whether to upgrade the payroll system to the Latitude 12 Chris 21 system if presented to Council as part of the budget consideration should identify to Council the potential conflict of interest by WASC Board Members of Latitude 12;</td>
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<td>Item 9: Revised completion date 30.06.2013 accepted, with the exemption of</td>
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<td>o Fuel, revised completion date 31.07.2012;</td>
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<td>o Other high risk items, revised completion date 30.09.2012;</td>
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<td>item 10: Revised completion date 31.12.2012 accepted;</td>
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<td>item 11: Completed;</td>
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<td>item 15: Revised completion date 30.09.2012 accepted;</td>
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<td>item 16: Revised completion date</td>
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<td>o Fleet by 31.07.2012;</td>
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<td>o All other asset types; by 30.09.2012 management to provide a recommendation about the feasibility of stock takes</td>
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<td>item 17: Revised completion date 31.07.2012 accepted;</td>
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<td>item 18: Revised completion date 31.07.2012 accepted;</td>
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<td>item 19: Evidence of completion is to be provided to the next Audit Committee Meeting;</td>
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| 06.06.2012      | ACM043/2012       | Review of Risk Register | IN PROGRESS | That the Committee recommends to Council  
1) that the report will be tabled again at the next Audit Committee Meeting with the following amendments to the Risk Register:  
a. Residual Rating colour coded  
b. Strategy timeline to nominate a completion date; and  
2) the Risk Register Report is to be tabled twice yearly. | To be included in Agenda for December 2012.  
Executive Manager Corporate Services meeting. | Executive Manager Corporate Services |

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<tr>
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<th>Status</th>
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<th>Action Officer</th>
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</table>
| 06.06.2012      | ACM044/2012       | Internal Audit Plan 2012-2015 | IN PROGRESS | 1) The Committee noted that an internal audit of the Territory Housing Repairs and Maintenance Contract has been initiated by the Acting CEO and requests that the audit report be tabled at a future meeting;  
2) The Committee notes that the action required under item 9.1 of the Audit Committee Meeting held 22 February 2012 are to be completed by the next Audit Committee Meeting. | The report has been circulated among relevant WASC staff.  
Comments have been provided. The final report is yet to be received from the internal auditors. | Executive Manager Corporate Services |
WEST ARNHEM SHIRE COUNCIL

FOR THE MEETING 30 JANUARY 2013

EXCLUSION OF THE PUBLIC

The information is classed as confidential under Clause 9(c) of the Local Government (Administration) Regulations 2008.
WEST ARNHEM SHIRE COUNCIL

FOR THE MEETING 30 JANUARY 2013

RE-ADMITTANCE OF THE PUBLIC