

**Shire of Cuballing
2017/18 Audit Action Plan**

Matter Raised	Area of Concern / Auditor Comment	Action Taken / Proposed Action	Measurement of Success
Segregation of Duties	<p>We appreciate that due to the nature and size of the Shire, management oversees all the functions within the Shire, however there is an inherent risk of lack of segregation of duties within the general financial administrative process and we recommend that this should be continually considered by the management in designing compensating controls.</p>	<p>Roles and responsibilities of administration staff to be clearly documented and monitored.</p> <p>Implementation of Month End Checklist to assist staff with documenting the internal controls and procedures in place.</p>	Implementation of Month End Checklist
Financial Statements	<p>We have been auditing the Shire of Cuballing for a number of years and we have always been presented with accurate and complete financial information for audit, except for this financial year. When we started the final audit in August 2018 we found that the draft financial report provided for audit was not accurate as the following balances did not agree to the accounting records and the accounting records were not complete:</p> <ul style="list-style-type: none"> • Property, Plant and Equipment • Infrastructure • Trade Payables • Payroll • Non Operating Grants <p>After the above had been correctly adjusted there were a number of differences in the figures and this required us to perform additional audit procedures. The adjustments to the financial statements resulted in the deficit for the year changing from \$311,747 to \$80,427.</p>	<p>Training provided for staff to ensure the financial statements are completed in an accurate & timely manner.</p> <p>Additional support to be provided for external contractors as required.</p> <p>Implementation of Month End Checklist.</p>	Completion of Annual Financial Statements in a timely and accurate manner without substantial adjustments during the final audit process.

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Asset Sustainability Ratio	This ratio has deteriorated in the current year from 0.66 to 0.48, and has been below the Department of Local Government, Sport and Cultural Industries target level of 0.90 for the past 4 years.	Continual review of infrastructure fair values, depreciation rates and the Shire's commitment to capital renewal programs.	Continual improvement and ultimately trying to achieve the recommended target level of between 0.90 – 1.10
Operating Surplus Ratio	The Shire's ratio has declined in the current year from (0.12) to (0.79) and has been negative for the last three years.	Identify opportunities to increase revenue and reduce expenditure at sustainable levels.	Continual improvement and ultimately trying to achieve the recommended target level of 0.00 - 0.15
Annual Leave	During our audit we found that the Chief Executive Officer had 540 hours of annual leave owing to him at 30 June 2018.	Management to ensure that controllable levels of leave entitlements are maintained and appropriate measures are in place to allow staff to take leave as required.	Continual improvement and ultimately trying to achieve annual leave entitlement levels of around 4-6 weeks for all staff
Fixed Asset Register	We note that the fixed asset register was not updated with the valuation of infrastructure and bridges and therefore did not agree to the financial report.	Training for staff in the asset management. Additional support to be provided for external contractors as required.	Completion of monthly asset reconciliations, including depreciation calculated that reconciles to the accounting software.
Disposal of Property	During the year the Shire disposed of a Multi Tyre Roller by trading it in for the purchase of a new asset. The Shire did not comply with the Local Government Act 1995, Section 3.58 as the asset was not disposed of at a public auction or public tender and the Shire did not publish the disposal to the public.	Training provided for staff to ensure all areas of governance and compliance are completed in an accurate & timely manner.	All disposal of property to be completed in accordance with section 3.58 of the Local Government Act 1995