



Our Ref: 8367

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469 Wellington Street, Perth

Mr Paul Martin  
Chief Executive Officer  
Shire of Serpentine Jarrahdale  
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MUNDIJONG WA 6123

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Dear Mr Martin

**ANNUAL FINANCIAL REPORT  
INTERIM AUDIT RESULTS FOR THE YEAR ENDED 30 JUNE 2021**

We have completed the interim audit for the year ended 30 June 2021. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

**Management Control Issues**

We would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7674 if you would like to discuss these matters further.

Yours sincerely

A handwritten signature in black ink that reads 'A Madnack'.

Aram Madnack  
Director  
Financial Audit  
8 October 2021

Attach

**SHIRE OF SERPENTINE JARRAHDAL**  
**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021**  
**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Daily banking reconciliations, cash count and banking	✓		
2. Key balance sheet reconciliations		✓	

**KEY TO RATINGS**

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

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

**SHIRE OF SERPENTINE JARRAHDALÉ**  
**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021**  
**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**1. Daily banking reconciliations, cash count and banking**

We identified that all 21 sample daily banking reconciliations tested were not signed by the reviewer as evidence of an independent review.

In addition, our daily banking testing identified the following:

- The front counter till is not counted at the end of the day if no cash is received or cash was received in the exact amount and change was not given to the customer; and
- Cash is held on the premises for an extended period of time (sometimes greater than 7 days, one instance identified 13 days) as the Shire does not complete banking on a frequent basis.

**Rating: Significant  
Implication**

With the lack of evidence that the daily banking reconciliations are not independently reviewed, there is an increased risk of errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. In addition, with the front counter till not being counted and untimely banking there is an increased risk of theft. There is a further risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

**Recommendation**

Daily banking reconciliations should be consistently signed off by the preparer and independent reviewer as evidence of this review on a daily basis.

In addition, we recommend:

- The front counter till be counted each day as part of the daily banking reconciliation process; and
- Cash be banked at least on a weekly basis to decrease the risk of theft or misappropriation.

**Management Comment**

*Whilst daily reconciliations were being completed by Customer Service and reviewed by the Supervisor, these reconciliations were not signed by the reviewer. Daily banking reconciliations to be signed by the reviewer moving forward.*

*With regard to cash deposits, the delay was in large part due to impacts of COVID and requirement for work from home for a majority of staff, as well as staff illness, however we now have multiple staff able to make regular deposits regardless of such instances to reduce this risk.*

**Responsible Person:** Coordinator Customer Service and Manager Finance

**Completion Date:** Immediately

**SHIRE OF SERPENTINE JARRAHDALÉ**  
**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021**  
**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**2. Key balance sheet reconciliations**

Our review of the month end reconciliation procedures identified key balance sheet reconciliations are being completed and independently reviewed. However, the key balance sheet reconciliations are not being signed off by both the preparer and independent reviewer.

**Rating: Moderate**

**Implication**

Without evidence of the preparer signing the reconciliation, plus an independent review and approval of key balance sheet reconciliations, there is an increased risk of fraud and error, and non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

**Recommendation**

We recommend key balance sheet reconciliations are signed off by both the preparer and independent reviewer.

**Management Comment**

*All month end reconciliations are to be signed off individually, in addition to the current process whereby officers complete and initial the end of month checklist and senior staff and management review and initial to indicate their satisfaction that the reconciliations have been done and done appropriately.*

**Responsible Person:** Manager Finance

**Completion Date:** September 2021