

REPORT AS REQUIRED BY SECTION 7.12A.(5) OF LOCAL GOVERNMENT ACT 1995

**REPORT OF SIGNIFICANT FINDINGS FROM THE MANAGEMENT LETTER
ACCOMPANYING THE 2017-18 AUDIT REPORT**

1. FINDING – ASSET RENEWAL FUNDING RATIO

Auditor General's Comment

We note the asset renewal funding ratio has not been included in the financial report for the year ended 30 June 2018 or the preceding years.

Rating: Significant

Implication

By not reporting the asset renewal funding ratio, the Shire is in non-compliance with section 50(1)(c) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend the asset renewal funding ratio be calculated and included in the financial report for future years.

Management Comment

We are currently in the final stages of preparing our Long Term Financial Plan and Asset Management Plan with Moore Stephens. It was hoped that it would be ready in time for inclusion in this year's annuals however we are reviewing asset renewal dates on our roads which is taking longer than expected.

Responsible Officer: MOF

Completion Date: 1st March 2019

2. FINDING – GENERAL JOURNALS

Auditor General's Comment

We note general journals raised are not subject to independent review and approval prior to being posted.

**Rating: Significant
Implication**

Without evidence of independent review and approval of journal entries, there is an increased risk of fraud and error, and non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1995.

Recommendation

All general journals should be signed to evidence review and approval by someone independent of the processing function.

Management Comment

There is no other person in the organisation other than the Manager of Finance that understands the correct processing of debits and credits. The Senior Finance Officer does process some journals that are simple and of a repetitive nature. Therefore the review and approval of journals is not a robust approval, as not all CEO's or DCEO's have an accounting background and understand the journals that are being processed.

General journals will now be signed by another officer to evidence independence review prior to processing.

Responsible Officer: MOF

Completion Date: 1st December 2019



**DARREN MOLLENOYUX
CHIEF EXECUTIVE OFFICER**

Dated: 7th March 2019