

**Shire of Coolgardie
2020/21 Audit Management Report
Action List**

Matter Raised	Area of Concern	Action Taken / Proposed Action	Measurement of Success
<p>There is a significant adverse trend in the financial position of the Shire</p>	<p>The Operating Surplus Ratio has been below the industry benchmark for the past 3 years.</p>	<p>The difference between operating revenue and operating expenditure was \$4,053,679 (2019/20 - \$3,586,213). Consequently, in order to meet the standard and improve the ratio Council needs to have the following strategic conversation with the community;</p> <ul style="list-style-type: none"> • Increase revenue generated from non - rating sources such as Kambalda airstrip, Shire Landfill facilities and other commercial activities like proposed village accommodation • Increase rates revenue through significant rate increases to the community • Increase rate in the \$ for mining accommodation villages on mining leases • Reduce levels of service significantly on all operating activities <p>In order to significantly reduce the operating gap of \$4,053,679 the Shire would have to consider something like;</p> <ul style="list-style-type: none"> • Reducing the Shire's FTE's by 25, estimated to save \$2.49m • Reduce all contractors, estimated to save \$680,000 	<p>A steady improvement in the ratio over a period of time is a reasonable measure of success.</p> <p>Council have an expectation of meeting the benchmark within a 5 year period as highlighted in the Shire's Long Term Financial Plan.</p>

		<p>This would mean to community facilities open including recreation centres, pools, libraries, CRC's, no community programs or activities, no planning, building, health or ranger services. Furthermore no projects would get done.</p> <p>This would still leave a gap of \$883,679 requiring an 11% annual rate increase.</p> <p>Council and management will continue to explore areas to help improve the operating position of the Shire.</p>	
Purchasing Policy	<p>Sample testing of 30 purchases made during the period 1 July 2020 to 31 March 2021, and noted 5 (16.67%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated and no documentation to explain why other quotes were not sought.</p>	<p>This is an area that has been identified by management previously and is continually being reviewed to ensure compliance with the Shire's Procurement Policy.</p> <p>CEO has spoken with management and emphasised the importance of adhering to the Shire's Procurement Policy, including the requirement to document when multiple quotations have been requested, but not supplied.</p> <p>Additional training to be provided to existing and future staff to reiterate the need to comply with the Shire's Procurement Policy.</p>	<p>Adherence with the Shire's Procurement Policy.</p>
Bank Reconciliations	<p>During our review of bank reconciliations, we noted that there were multiple long outstanding items, such as receipts/payments not posted to the general ledger dating back to the 2019 financial year. The total of these long outstanding items was (\$54,049.94).</p> <p>These reconciling items remain outstanding at the date of this letter. We understand that the Shire is currently transitioning to a new software system in which reconciling items will be reviewed and cleared regularly.</p>	<p>Agreed that long outstanding items should not form part of the bank reconciliations.</p> <p>The Shire are currently in the process of implementing the Altus bank module in Synergy Soft. Part of this process is to review and reconcile all outstanding items.</p> <p>Once this process has been completed then future bank reconciliations will ensure that all items are reconciled in a timely manner.</p>	<p>No outstanding receipts or payments to remain unreconciled for a period greater than 3 months.</p> <p>Unpresented cheques not to exceed 12 months from date of issue.</p>

<p>Negative unrestricted cash position at year-end</p>	<p>Noted that Shire's unrestricted cash position as at 30 June 2021 was a negative balance of \$400,729. Review of the Shire's cash and cash equivalents account revealed that the Shire had accessed restricted funds to subsidise the municipal funds</p>	<p>The negative unrestricted cash position was the result of the Shire effectively being in overdraft at 30 June 2021, but at the time the Shire had not initiated the overdraft facility at 30 June 2021. This position was the result of grant funding received during the financial year which had not been fully expended at 30 June 2021.</p> <p>Management is comfortable the unrestricted cash position can be improved as several factors encountered in 2020/21 will not have as much of an impact in 2021/22, these being;</p> <ol style="list-style-type: none"> 1. Increased costs attributed to COVID-19 (net cost of \$345k in 2020/21), and 2. 0% rate increase (cost Shire around \$300k as rate base increases on average by 2-4% per annum once taking into consideration mining UV valuations) <p>Cash flow modelling has been implemented to provide staff and elected members with monthly updates on the Shire's current and project cash flow position.</p>	<p>Positive unrestricted cash position at 30 June 2022.</p> <p>Improved unrestricted cash position & increase funds held in reserves forecast at 30 June 2023 and beyond as per LTFFP.</p>
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