

Shire of Dowerin

Regulation 17 (1) (a) – Financial Management Review

21 May 2026

Final Review Report

(Review in Confidence)

Australian Audit

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Introduction

Australian Audit was engaged to undertake a financial management review of the Shire of Dowerin financial management systems and procedures as required to be undertaken at least once every 3 years as per the Regulation (5)(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

As of 1 January 2026, Section 5.2 (c) of the *Local Government (Financial Management) Regulations 1996* was deleted and no longer exists. At the same time *Regulation 17 (1) of the Local Government (Audit) Regulations 1996* was also amended to include financial management. Further, Regulation 17 (1) reviews now need only be undertaken once every 4 years and not once every 3 years as was previous.

In line with the amendments, detailed above, to the two regulations this financial management review was carried out in line with the new Regulation 17 (1) (a) of the *Local Government (Audit) Regulations 1996*.

We conducted the review in accordance with Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* which provides a limited assurance regarding the appropriateness and effectiveness of the Shire's management controls over its financial management systems and processes.

This report outlines the work undertaken as part of our review and includes our findings and proposed recommendations resulting from our review.

The Shire of Dowerin uses SynergySoft as its accounting system.

CEO's Responsibility for the Review Report

As per Regulation 17 (1) (a) of the *Local Government (Audit) Regulations 1996*, the Chief Executive Officer (CEO) is required to undertake a financial management review, at least once every 4 financial years.

Responsibility for the Review

Our responsibility was to conduct the Financial Management Review in accordance with the Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* and to report to the CEO the review findings and proposed recommendations for management control and process improvement.

We wish to confirm that we are fully independent of the Shire of Dowerin and of its operations regarding this review.

Review Limitations

The matters raised in this review report are only those which came to our attention during the course of performing the financial management review and may not necessarily be a comprehensive statement of all the possible control weaknesses and / or process improvement options that may be made in relation to the Shire of Dowerin financial management systems and procedures.

As part of our review, we have not assessed and examined every financial process and procedure and as such have limited our assessment and evaluations only to those areas where we considered may be of higher risk to the Shire of Dowerin regarding its Financial Management process. As such we did not examine every activity and procedure that may exist at the Shire and therefore only provide limited assurance to the Shire.

Our review, which was conducted in accordance with Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* was not an audit, and as per *ASAE 3000* we can only provide assurance based solely on our assessment of the information which was provided to us by the Shire of Dowerin during the conduct of this review.

This review report is to be used solely for the purpose of reporting to satisfy the requirements of *Regulation 17 (1) (a) of the Local Government (Audit) Regulations 1996* and should not be used for any other purpose.

Scope and Methodology

The review undertook the following approach:

- Information was sought from the Shire of Dowerin and was assessed.
- Discussions were held with the Shire of Dowerin management and relevant staff to understand the financial processes and the management controls currently in place.
- We assessed the adequacy of key management controls currently in place over key financial management systems and procedures in line with the following work program provided to the Shire of Dowerin and based on information that was provided to us during the review period.

Work Program

Our review incorporated the following key financial management areas as required under *Regulation 17 (1) (a) of the Local Government (Audit) Regulations 1996*:

- Procurement (formal quotations and tender process)
- Contract Management
- Accounts Payable
- Cash Collection and Handling
- Payroll
- General Ledger Application Controls (journal posting, balance sheet reconciliations)
- Rates, Revenue and Debt Management
- Investment Management
- Asset Management (excluding infrastructure assets)
- Budget process

No other financial management systems and procedures were subject to review.

Review Conclusion

Based on our review (which was not an audit) of the management controls and processes that exist at the Shire of Dowerin, regarding the above key financial management system areas, nothing came to our attention that would indicate any **high-risk** management control matters that would require immediate attention by the Shire.

Based on the matters raised in the body of this report under Findings and Recommendations, we can conclude that the financial management systems in place within the Shire are satisfactory, however some areas can be further improved and several recommendations have been included in this review report for management consideration.

The matters raised in this review report were assessed as Low risk to the Shire.

For those identified matters we have recommended that the Shire should consider exploring the recommended process improvement options which have been incorporated within the body of this report.

Each finding has a recommended action except for those issues reported as "Observations".

We believe that the Shire's implementation of the suggested and recommended process improvements will strengthen the existing financial management controls that are currently in place and will provide greater overall governance within the Shire's financial management operations.

Findings and Recommendations

Low Risk Issues

1. Procurement: Monitoring of Compliance with Policy for RFT and RFQ

Finding

The Shire does not currently have in place a working process by which expenditure by supplier can be monitored on an ongoing basis to determine whether expenditure by supplier has got to a level that the Shire possibly should be considering going to the market to obtain better value for money. In these situations, there may be instances where the Shire is using a supplier (contracted by different areas within the Shire) to deliver services of a similar type but for small dollar values. However, if the dollar value purchases in total, say over a 12 month period, exceeds \$50,000, the Shire may need to identify these and consider whether it would have received better value for money by testing the marketplace via an RFQ or RFT process for these services.

As the procurement is a decentralised function within the Shire, implementing a formal monitoring process to detect any non-compliance with the Shire's procurement policy is considered beneficial and will assist in the Shire's compliance with its procurement policy.

Recommendation

We recommend that the Shire consider developing, via Synergy, a "Supplier over \$50,000" report to be used to investigate as to whether the Shire has procured the supplier's services via individual quotes, RFQ or RFT. If via individual quotes, the Shire should assess as to whether better value for money could be achieved if the Shire requested such services via an RFQ or RFT.

Management Comments

Shire staff will provide a recurring report to the ARIC when it meets to address the recommendation.

2. Contract Management: Protocols and Register

Finding

The Shire does not have adequate written procedures and guidelines for managing existing ongoing service type contracts. In the absence of formal written procedures and guidelines for contract management, Shire staff responsible for managing contracts may not have a clear understanding of the contractual requirements and required approval processes resulting in possible inconsistent and unacceptable practices.

Contract management procedures should incorporate the following step-by-step processes for:

- Contract formation requirements (when a formal contract should be formulated).
- Contractor performance management process (how each contract should be managed during the contract period)
- Contract variations process and approvals (how contract variations should be negotiated and the various approval levels required).
- Contract renewal/extension process and approvals (monitoring of contract expirations and the process of contract renewal approval)
- Post-contract assessments (the need to conduct supplier performance appraisals once a contract has expired)

Further, the Shire does not have a formal contract register in place to record its contractual agreements. As such the Shire does not have visibility over the Shire's active contracts, contract expiry dates, actioning options to extend if such options exist, actioning renewal timeframes and/or to check that services are being invoiced in line with service contract agreed and awarded \$ values.

Recommendation

We recommend that the Shire establish formal contract management procedures/protocols/guidelines over the contract management process.

The Shire should also develop a centralised contract register capturing key contract data to be used when managing its existing contracts.

Management Comments

The Shire staff will establish formal procedures as recommended.

3. Accounts Payable: Verification of Vendor New Bank Details

Finding

Where a supplier requests changes to their bank account details, the supplier is required to make the request in writing via the completion of a form providing the details of the new bank details. However, we were unable to determine whether appropriate verification checks are carried out by the Shire to verify that the new bank account details belong to the supplier by way of seeking evidence such as a copy of the supplier's new bank account bank statements or via over the phone verifications.

Recommendation

We recommend that the Shire consider incorporating additional verification checks prior to changing a supplier's bank account details by either requesting a copy of the supplier's new bank account bank statements or the Shire may want to consider using EFTsure to undertake the verification checks on behalf of the Shire.

Management Comments

The Shire staff require a copy of the Bank Statement or evidence from the supplier to confirm accounts details.

EFTsure has been in contact with the staff for a meeting to be held late April/early May. Staff will assess the value of the service.

4. Revenue Collection and Cash Handling: Cash Handling

Finding

Our review of the cash handling procedures at the Shire's Administration building identified the following:

- There is no CCTV over the point-of-sale system in the main Administration building.
- There is no duress alarm installed near the point-of-sale system.

Recommendation

We recommend that the Shire should give consideration to installing CCTV and duress alarms at the Administration building where there is a point-of-sale register in use or cash is being received and held as a staff safety measure.

We believe this is essential not only for the security over cash but also for the safety of those staff that are required to handle cash.

Management Comments

Staff will do an assessment of actual cash taken vs cost to install CCTV.

5. Revenue & Council Rates: Debt Management

Finding

There are currently no documented policy or protocols in place for the rates and sundry debt management process. Without appropriate policy or protocols unacceptable practices may be employed by staff.

Review of the follow up comments against outstanding debts suggests that inconsistent follow up procedures are followed.

Recommendation

We recommend that policy / protocols should be developed for the debt management process. The policy / protocols should also include the continual review and monitoring of debtors, the process for when referring debts to a debt collector should occur, when to write off the debt and the process for writing off such debts.

Management Comments

Staff will review debt management processes and submit to the ARIC for recommendation and approval by Council

6. Payroll: Check of Data Entry

Finding

We noted that there is currently no independent secondary check in place to verify that data entered into the payroll system is accurate, complete, and properly authorised. Payroll data (including new starters, terminations, salary amendments, overtime, and other adjustments) can be entered and processed by the Payroll Officer without evidence of a formal review by a second individual.

In the absence of this secondary check, errors or irregularities may not be detected in a timely manner.

Recommendation

Management should implement a documented secondary review control whereby:

- All payroll data entries and amendments are independently reviewed and approved by an authorised individual prior to payroll processing.
- Evidence of review (e.g., electronic approval, sign-off, system audit trail) is retained.

Management Comments

Payroll processes have been implemented since the area has been brought under the Manager of Governance and Community, including review and approved/sent for amendments by the MGCS prior to each batch being processed (this process has been in place for some time, and is documented through the payroll batches with signing off). All terminations, new starters, and amendments to employee files are entered into the system and then provided to the MGCS for approval.

Staff will ensure all processes are documented prior to 30th June 2026

7. Investment Management: Cash Forecasting

Finding

There is currently no cash flow forecasting undertaken to manage cash flow to support investment decisions. Cash flow forecasting can assist in determining whether more surplus funds can be invested over a short period of time resulting in higher investment returns whilst still allowing sufficient liquidity to support operational expenditures.

Recommendation

We recommend that management undertake cash flow forecasting. The investment of Shire funds should ensure there is sufficient liquidity to meet the operational daily/weekly/monthly cash flow requirement as and when they fall due, without incurring additional cost to the Shire. The cash flow forecasting will assist in this process.

Management Comments

The Shire staff do cashflow forecasting (represented by Term deposits maturing at differing times to manage cashflow) however the process is not formal or documented. Staff will document the process.

8. Asset Management: Policy and Procedures

Finding

The following deficiencies were noted in asset management practices:

- There are no policies / protocols / documented procedures in place which relates to fixed asset identification, categorisation, classification, asset stocktaking and asset write offs.
- We noted that the Shire does not undertake routine stocktakes of its plant and equipment to ensure that such plant and equipment is still held and should be recorded on the asset register.
- The Shire also doesn't have a minor asset register. The minor asset register records all plant and equipment under \$5,000 which is not required to be depreciated and is expensed when purchased. The minor asset register provides an additional control over such items in order to maintain proper management and control as these items may be subject to possible theft without notice.

Recommendation

We recommend that the Shire develop formal asset management policies and procedures incorporating routine checking of its plant and equipment. These routine checks should be undertaken by at least 2 Shire officers and signed off as evidence of their check.

We also recommend that management develop a minor asset register which captures what is termed "portable and attractive" type asset items that have a purchasing price of under \$5,000.00 and should also detail the location of these assets.

Management Comments

The Shire staff will review, develop documented procedures and report to the ARIC.

9. System Access Review

Finding

The Shire could not provide appropriate system access reports which show the level of access (that is, read only or edit access) held by each staff for the following systems:

- Invoicing and Accounts Receivable
- Accounts Payable
- Rates
- Payroll
- General Ledger

The reports provided was not user friendly to assess whether the accesses held by the staff were appropriate in line with their roles and responsibilities.

Recommendation

We recommend that management produce a useful system access report which shows what edit access each staff has, and such edit access should be reviewed regularly to ensure edit type access provided to staff to make amendments etc. to Shire systems is aligned to the staff roles and responsibilities assigned.

Management Comments

Management agrees with this comment and will seek assistance to provide same.

9. General Ledger Reconciliations

Finding

At the time of the review the Shire does not have documented procedures in place for performing general ledger account reconciliations. It doesn't appear that all balance sheet accounts are reconciled monthly or at other intervals.

The bank accounts, debtors, creditors, rates and assets accounts have been reconciled from December 2025. Payroll reconciliations have had issues and are in the process of being reconciled and corrected by consultants.

Recommendation

We recommend that the Shire give consideration to developing formal documented procedures regarding which accounts are to be reconciled and regularity of each reconciliation. Further, a reconciliation checklist should be developed and used to capture all balance sheet accounts (and relevant profit and loss accounts, for example, payroll accounts) noting the frequency of the reconciliations and the person/position responsible for the reconciliation and subsequent review and sign off.

Management Comments

Management is fully aware of these matters and has developed a month end checklist to be monitored by the MCS prior to Council reporting.

Observations

Procurement: Documentation of Procedures

Apart from the purchasing policy document and the procedures manual for the Altus system, there are no other documents / guidelines / protocols relating to the procurement process which outlines the process to be followed. It would be beneficial for the Shire to document the procurement process and protocols to be followed by staff in this process.

Procurement: Tender Register

Section 17 of the Local Government (Functions and General) Regulations 1996 requires the Shire's tenders register is to include, for each invitation to tender a copy of the notice of the invitation to tender. The tender register does not currently include a copy of the notice of the invitation to tender.

Accounts Payable: Procedures Documentation

The accounts payable documented procedures do not include the process for setting up creditors, making amendments to creditor details, matching to invoice to purchase order and goods received note, and dealing with variances to purchase orders.

The Shire should ensure that the accounts payable procedures also capture the following processes:

- Setting up a new creditor on Synergy. This would include the need to receive a new creditor application form duly signed and the process of verification of the new supplier prior to being added to the creditor listing in Synergy.
- Changing creditor's personal details and bank account details.
- Approval of tax invoices for payment. This would include the need to have the tax invoice approved by a person who received the goods and/or services and approved for payment process.
- Matching tax invoices with related purchase orders and approving mismatches between tax invoice amount and the approved purchase order amount.
- Process of dealing with \$ variances between tax invoice and purchase order.

Accounts Payable: Review of Supplier / Vendor Database

The vendor database is not regularly checked to ensure any duplicated or old no longer used creditors are deactivated. The Shire should undertake regular reviews of the supplier database to remove / suspend any duplications and suppliers no longer used.

Appendix A – Risk Criteria

The following risk criteria was used to assess level of risk on review findings included in this Review Report.

Risk Assessment Matrix

Likelihood of Risk:

Rating	Description	Frequency
1	Rare – May occur, only in exceptional circumstances	< once in 15 years
2	Unlikely – Could occur at some time	At least once in 10 years
3	Possible – Should occur at some time	At least once in 3 years
4	Likely – Will probably occur in most circumstances	At least once per year
5	Almost Certain – Expected to occur in most circumstances	> once per year

Consequence of Risk:

Description	Health	Financial Loss	Operation	Compliance	Reputation	Project
1. Insignificant	No injuries or illness	<\$50,000	Little Impact	Minor breach of policy, or process requiring approval or variance	Unsubstantiated, low impact, low profile or no news item.	Small variation to cost, timeliness, scope or quality of objectives and required outcomes.
2. Minor	First Aid treatment	\$50,000 to \$250,000	Inconvenient Delays	Breach of policy, process or legislation requiring attention of minimal damage control	Substantiated, low impact, low news profile.	5-10% increase in time or cost or variation to scope objective requiring approval
3. Moderate	Medical treatment required	\$250,000 to \$1 million	Significant delays to major deliverables	Breach requiring internal investigation, treatment or moderate damage control	Substantiated, public embarrassment, moderate impact, moderate news profile.	10-20% increase in time or cost or variation to scope objective requiring Senior Management approval
4. Significant	Death or extensive injuries	\$1 million to \$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in tangible loss and damage to reputation	Substantiated, public embarrassment, moderate impact, high news profile and 3 rd party actions.	20-50% increase in time or cost or significant variation to scope objective requiring restructure of project and Senior Management or Council approval
5. Severe	Multiple deaths or sever permanent disabilities	>\$3 million	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, 3 rd party actions.	>50% increase in time or cost or inability to meet project objectives requiring the project to be abandoned or redeveloped

Risk Exposure:

Risk = Likelihood x Consequence

Score	Level of Risk	Score	Level of Risk	Score	Level of Risk
1 - 8	Low	9 - 19	Medium	20 - 25	High