



Shire of Menzies
Significant Audit Findings Report
July 2020 to June 2021

Purpose of Report

This report is to address section 7.12A of the Local Government Act 1995, to address any matters identified as significant by the auditor in the audit report and advise what action the City is taking to address these matters.

Significant Audit Matters

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Current year issues:			
1. Purchase orders are raised / approved after services or goods are received	✓		
Previous year issues:			
1. Procurement – obtaining quotes	✓		

** 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.*

1. Purchase Orders are raised / approved after services or goods are received

Finding:

From a sample of 30 purchase transactions from the period of 1 July 2020 to 31 March 2021, six instances (20%) were identified where purchase orders were raised after the supplier invoice was received.

Purchase orders act as an internal approval and control mechanism to proceed with a purchase.

Rating: Significant

Implication:

Purchases made without authorised purchase orders may increase the risk of unauthorised expenditure occurring and going undetected.

Recommendation:

The Shire should ensure all procurements are supported by dual authorised purchase orders which should be raised and issued prior to goods or services being received. They should contain all necessary details for matching with final invoices subsequently received from suppliers.

Management comment:

Purchase Orders (PO) are now raised upon the receipt of quotes, verbal or written. As specified in the Shire's Purchasing Policy. Standing POs are raised for purchases such as utilities or similar nature recurring procurements. Creditor Invoices are matched to POs and checked prior to payments.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021

Prior Year Issues**1. Procurement – Obtaining Quotes****Findings 2021:**

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2020 to 31 March 2021, we noted 2 (6%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Findings 2020:

Prior year issue was not satisfactorily resolved as during our procurement testing, from a sample of 30 purchases made during the period 1 July 2019 to 31 March 2020, we noted 4 (13%) instances where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Section 4.2 *Purchasing and Tenders* of the Shire's purchasing policy requires that purchases within prescribed price ranges meet certain conditions in order to comply with the *Local Government Act 1995* and accompanying regulations.

Findings 2019:

During our procurement testing, from a sample of 30 purchases made during the period 1 July 2018 to 31 March 2019, we noted 1 (3%) instance where there was insufficient documentation to indicate that the requisite number of quotations had been obtained and evaluated.

Rating: Significant (2020 and 2019: Moderate)**Implication:**

Non-compliance with the internal purchasing policy increases the risk of breaching Part 4 of the Local Government (Functions and General) Regulations 1996 and regulation 11A (3)(b) of the Local Government (Finance and General ledger) Regulations. There is a further risk of not achieving the objectives of 'Value for Money' as stated in Policy 4 *Value for Money* of the Shire's purchasing policy.

Recommendation:

The requirement for full compliance with the Shire's purchasing policy must be communicated to all staff and be closely monitored by management.

If instances arise where the Shire is unable to obtain the requisite number of quotations, the reasons should be recorded and attached to the purchase order at the time of the purchase being made.

Management comment

Procedures and process have been reviewed post the completion of the previous annual audit (circa mid-June 2021) and following the commencement of new CFO, Purchase Order requests present to the CEO and CFO must be in alignment with Shire's Purchasing and Delegations policies. All relevant information, such as quotes requested, obtained, assessed, OCM approvals where relevant, are checked prior to payments being made and attached to the final EFT payments held on file.

Responsible position: Chief Financial Officer (CFO)

Completion Date: 31 December 2021
