



City of Kalgoorlie-Boulder
SIGNIFICANT AUDIT FINDINGS REPORT
JULY 2018 TO JUNE 2019

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
1. Bank Reconciliations	✓		
2. General Ledger Review	✓		
3. KMP Confirmations	✓		

Significant - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly.

1. Bank Reconciliations

Auditors Finding

During our test of the City's bank reconciliations, we noted a number of reconciling items which had been initiated and cleared within the year and were, therefore, inappropriately included in the reconciliation. We also noted that the bank reconciliations prepared were not appropriately reviewed and approved in a timely manner if at all.

Rating: Significant Implication

Infrequent reconciliation of bank accounts increases the risk of errors, omissions or fraud remaining undetected. In turn, this could lead to misstatements in financial reporting.

Recommendation

Reconciling items should be researched promptly so that corrective action may be taken, where necessary. This process will substantially increase control over cash balances and allow errors and adjustments to be quickly identified and corrected.

Bank reconciliations should be consistently prepared on a monthly basis, and should be independently reviewed.

CKB Management Comment

The items noted were due to same valued items being incorrectly cleared. The City had noted the reconciliations were not accurate prior to June 2019 and as such recompleted 6 months of reconciliations. This took longer than anticipated given the number of transactions and unfortunately was not complete in time for audit fieldwork.

Bank reconciliations are now completed by Treasury, then reviewed by the Corporate Accountant and the Financial Controller. The cash receipts and disbursements are reviewed by the Corporate Accountant who is independent of bank receipts and disbursements. The Corporate Accountant is not a signatory on any of the City's bank accounts.

Responsible Person: Financial Controller – Xandra Curnock

Completion Date: Completed October 2019.

2. General Ledger Review**Auditors Finding**

While conducting our audit, we noted that no supervisory review of accounting transactions and month end reconciliations is documented. This situation has allowed immaterial errors to exist within the books of account for some time, and without subsequent correction they will continue to grow in magnitude.

**Rating: *Moderate*
Implication**

This accounting function inefficiency may increase the risk that the financial records and financial statements to be misrepresentative as well as allow possible irregularities, including fraud, to exist and continue without notice.

Recommendation

Management should review the process and prepare policy and procedures that ensure regular supervisory review of accounting transactions and reconciliations.

CKB Management Comment

Balance Sheet reconciliations are completed monthly by Debtors, Creditors, Corporate Accountant and Accountant. These are then reviewed by the Financial Controller. It is noted that this review may not have been previously documented but this has been remedied for FY2020.

Whilst the above controls do not address the need for manual entries to have documented approval prior to posting, the City believes it to be a strong mitigating control to identify any incorrect entries. The City will undertake a review to determine if a manual documentation process of manual entries will be an efficient and effective resolution to this going forward.

Responsible Person: Financial Controller – Xandra Curnock

Completion Date: December 2019.

3. Key Management Personnel (KMP) Declarations

Auditors Finding

We noted that the annual declaration process was incomplete as 31% (i.e. 4 of 13) of Councillor Declarations were not returned to the City due to Councillors' refusal to complete these declarations.

Rating: Significant Implication

There is an increased risk that disclosure of related party transactions for Key Management Personnel are incomplete.

Recommendation

Management should implement procedures to ensure all KMP declarations are completed and returned in a timely manner.

CKB Management Comment

The City will raise this issue with the current councillors and ensure they understand the repercussions of not completing the KMP forms.

There are no provisions or penalties to ensure this is complied with. Councillors can ignore the issue and the CEO cannot enforce it. It is a significant issue for the sector but should not be listed as a significant issue in the City's audit.

Responsible Person: CEO – John Walker

Completion Date: Councillors to be advised in December 2019, to be reminded in June 2020



City of
**Kalgoorlie
Boulder**

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