

SIGNIFICANT AUDIT FINDINGS REPORT



This report is produced in accordance with Section 5.17A(4)(a) of the *Local Government Act 1995* and details the actions the Shire of York has taken and intends to take with respect to the Significant Findings identified in the Audit Report for the 2022/23 financial year.

The table below summarises the Findings, the Auditor’s Recommendations, the Shire of York’s comment at the time of the Audit.

No.	FINDING	RECOMMENDATION	MANAGEMENT COMMENT
1	Untimely preparation and review of bank reconciliations (prior year)	We recommend that the Shire review its bank reconciliation processes to ensure the monthly bank reconciliations are appropriately prepared and reviewed in a timely manner. The bank reconciliation process should include ensuring supporting documentation to the reconciliation is readily available to allow the Shire to perform an effective review. The Shire should ensure an adequate level of training is provided to staff performing the reconciliation. The reviewer should also ensure that reconciling items are accurate and supported and evidence of independent review is maintained.	Agreed bank reconciliations were not conducted in a timely fashion in the 2022/23 Financial Year due to lack of staff. The financial services contract established with Moore Australia in 2023/24 has allowed for the review of the bank reconciliation process and training of finance team members. This has now been completed, and Trust accounts are up to date. The remainder of Municipal reconciliations will be completed in March 2024. This process will now be undertaken weekly for Municipal reconciliations and monthly for Trust due to the lower activity. This can be tested in the 2023/24 Interim Audit.
2	Lack of segregation of duties with purchasing (prior year)	The Shire should review its underlying policies, procedures, systems and controls around ordering, receipting and approving payment of goods and services. Policies and procedures implemented should ensure sufficient and appropriate segregation of duties is achieved and these should be communicated to all staff. The Shire should also review its delegated	The Audit Regulation 17 and FM Regulation 5 consultant Armada Audit considered the concerns of the OAG and made recommendation to the Shire of York on how to adapt this process to achieve further separation. These recommendations and the Armada Audit results were provided to the OAG in 2023. Policy F2 Procurement was updated accordingly and was considered by the Audit and Risk Committee on the 12 December 2023 and adopted

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		<p>financial authority to ensure it remains appropriate to meet the Shire's risk assessment and procurement requirements.</p> <p>As part of ensuring segregation of duties, where purchases are initiated in business units that are not their own, relevant managers should undertake checks and make enquiries as necessary to verify and authorise each transaction.</p>	<p>by Council at its 19 December 2023 OCM Resolution 121233. The policy changes were communicated to all staff in January and the new receipting process implemented from the 15 January 2024. The procurement changes were implemented in Altus procurement 14 February 2024. This can be tested in the 2023/24 Interim Audit.</p>
3	<p>Untimely preparation of accounts payable reconciliations</p>	<p>Reconciliations are prepared and reviewed in a timely manner.</p>	<p>Creditors Ledger for 22.23FY was not closed off until 25 July 2023 due to many 22.23 invoices not received until this date. Aged Creditors Trial Balance report was processed 3 August 2023 however there was an unknown imbalance from the aged creditors to general ledger of -\$8.33. A support request was submitted 1 September 2023 to IT Vision to review and the issue was not resolved until 20 September 2023. The final general ledger report which balanced to the aged creditors and was submitted to EMCCS for final review and signature on 30 October 2023 once all year end processed were finalised.</p> <p>Generally, as part of the EOM process, this report will be completed on the first day of the new month for the previous month by the Accounts Payable Officer. It is then reviewed by the Finance Manager with final review and authorised by the Executive.</p>

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4	Depreciation of assets	The Shire review the depreciation rates applied to all assets to ensure that they are the correct rates in-line with revaluation reports or where appropriate, updated useful life estimations.	The depreciation calculations are undertaken in accordance with Australian Accounting Standards. Errors that resulted in a misstatement of the depreciation have been found and corrected.
5	Conflict of interest declarations not completed timely	Checks are performed prior to tender evaluations being completed to ensure that all required conflict of interest declarations have been completed.	This was one instance and therefore the Shire disputes this finding as significant. Education and training of all staff involved in the tender and quoting process is ongoing and does not have a completion date.
6	Audit readiness and quality of financials and supporting documentation	We recommend the Shire review its key accounting function set up to ensure that it is fit for purpose and able to meet the required deliverables. The Shire must ensure all information to support the preparation of the financial report are complete, accurate and available for the audit team to inspect. Further, to ensure that the Shire is suitably audit ready at the commence of each phase of the audit it is preferable that the Shire utilise the varying Better Practice Guides the OAG has developed and ensure all requested information is available.	The Shire can demonstrate that it commenced collecting the information requested in the PBS in April of 2023. Prior to onsite testing the majority of the PBS requirements had been collected and transmitted. There were numerous instances where audit documents were transmitted, only to be subsequently re-requested by the audit team. This pattern persisted even after the audit recommenced in January 2024, with information submitted being immediately demanded again by the OAG. It is worth noting that OAG officers frequently failed to provide adequate time for thorough responses from Shire of York staff, this will be thoroughly discussed at the Exit Interview.
7	Network user access and Altus user privileges (prior year)	The Shire should implement a user access and privileges monitoring process to ensure only current and valid users are able to access the Shire's	The Shire remains comfortable with the level of access provided. Regular audits are now conducted and the exit process updated

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		<p>network and systems. This process should be extended to include validation of all privileges assigned to each user that are consistent with the positions' roles and responsibilities. Where user accounts and/or privileges are no longer required, they should be immediately removed or updated.</p>	<p>to ensure removal of users from all systems.</p> <p>The fortnightly payroll audit shows additions and subtractions of staff within the Definitiv system. This system generated report is reviewed by Finance Officer – Creditors, Finance Manager and EMCCS.</p> <p>A policy position that assigns user access by position remains to be developed.</p>
8	Fortnightly payroll reconciliations	<p>The Shire should ensure that fortnightly payroll reconciliations are adequately performed, and evidence of independent review is retained. Further the Shire should ensure that documentation is stored in locations that are known and accessible to relevant staff.</p>	<p>This process is now in place and with regular reconciliations being conducted. These are prepared by the Finance Officer – Payroll and reviewed by the Finance Manager. A further review is conducted by the EMCCS. This can be tested in the 2023/24 Interim Audit.</p>
9	Untimely preparation and review of the property, plant and equipment reconciliation (prior year)	<p>We recommend the Shire prepare and review its PPE account reconciliations in a timely manner.</p>	<p>Persistent delays in finalising the Annual Financial Report have once more hindered the timely completion of procedures for the 22/23 Financial Year. This ongoing delay prevents the initiation of new fiscal year asset transactions and disposals until the previous year's financials have been officially adopted.</p>
10	Management oversight of capital projects	<p>The Shire should ensure there is regular oversight of capital projects by the [Audit & Risk Committee] ARC or other members of management.</p>	<p>Formerly the Shire adopted its budget at GL level and Council were presented with all material movements by GL at mid-year review. The Shire has adapted its reporting to Council in accordance with the Regulation's requirement of Nature mid-year reporting also reflects this change. Progress against capital</p>

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			<p>project expenditure continues to be provided to Council via monthly financial reporting. The Shire has recently implemented the Government Frameworks Integrated Planning and Reporting System - Cascade which will provide reporting against all capital and CBP projects for Council.</p>
11	Asset revaluations	<p>Management should ensure robust procedures are in place to ensure the accuracy and completeness of the fixed assets reported in the financial statements and captured through the revaluation process. Further, management should ensure documentation relating to these reconciliations is readily available.</p> <p>Management should thoroughly review and analyse the balances above, errors should be corrected.</p>	<p>Assets subject to revaluation have been examined and all variances accounted for. This is now resolved.</p> <p>This has highlighted the need for a thorough review of all asset classes with regard to the capturing of asset information, naming and classification. Guidance will be sought, and staff trained on the capitalisation of assets to ensure that sufficient data is captured in the finance system to ensure assets are able to be revalued.</p>
12	Monitoring of grants income and expenses (prior year)	<p>The Shire should review its current practice and implement a standard process to ensure its grant register is appropriately maintained to address the risks noted above.</p> <p>The Shire should retrospectively complete a detailed revenue recognition assessment of its grant revenue streams. This is to conclude if a particular grant revenue stream or transaction arises from an enforceable contract with a customer and has sufficiently specific performance obligations.</p>	<p>Historically an excel workbook has been used for the Grants Register where every Responsible Officer is required to add any new grants and update any other relevant information. Senior Finance Officer would update income and expenditure monthly and email register to all staff each month for review and update.</p> <p>This register has been superseded by the Government Frameworks IPR software which will be implemented in 2024. Progress can be tested</p>

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		The assessment will trigger the revenue recognition requirements under AASB 15, or if it falls outside this scope, under AASB 1058, so that revenue is not misstated for the 2023-24 financial year.	during Interim and Final Audits for 2023/24.
13	Fair value of other infrastructure – frequency of valuations	The Shire should perform a review of their asset register to ensure it is complete and sufficiently detailed to enable assets to be readily identified. Further, where items have not been revalued in the previous 5 years, a valuation of these other infrastructure assets is performed in accordance with AASB 13 Fair Value Measurements and assumptions and methodologies applied meet the expectations of the Shire. Fair Value movements should be understood and be able to be explained in accordance with the Shire’s understanding of its operations. The Shire needs to ensure valuations are conducted every 5 years in accordance with Regulation 17(A) of the Regulations.	This has been resolved.

In accordance with Sections 7.12A(4)(b) and 7.12A(5) of the *Local Government Act 1995* a copy of this report is provided to the Minister for Local Government and published on the Shire’s website.

Further information in relation to the report is available by contacting Alina Behan, Executive Manager Corporate & Community Services, on 08 9641 0500 or records@york.wa.gov.au.

Chris Linnell
CHIEF EXECUTIVE OFFICER

Dated: 27 March 2024