



SHIRE OF YORK

NOTICE OF MEETING

Dear Committee Members

I respectfully advise that the AUDIT AND RISK COMMITTEE MEETING will be held in Council Chambers, York Town Hall, York on Tuesday, 11 June 2024, commencing at 3:00pm.

MEETING AGENDA ATTACHED

Lindon Mellor

LINDON MELLOR
ACTING CHIEF EXECUTIVE OFFICER
Date: 7 June 2024

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<p>MISSION STATEMENT <i>“Building on our history to create our future”</i></p>

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1 OPENING

1.1 Declaration of Opening

1.2 Acknowledgement/Disclaimer

The Presiding Member advises the following:

"The York Shire Council acknowledges the Ballardong people of the Noongar Nation who are the Traditional Owners of this country and recognise their continuing connection to land, water, sky and culture. We pay our respects to all these people and their Elders past, present and emerging.

This meeting is being recorded on a digital audio and visual device to assist with minute taking purposes. The public is reminded that in accordance with Section 6.16 of the Shire of York Local Government (Council Meetings) Local Law 2016 that nobody shall use any visual or vocal recording device or instrument to record the proceedings of Council without the written permission of the presiding member.

I wish to draw attention to the Disclaimer Notice contained within the agenda document and advise members of the public that any decisions made at the meeting today, can be revoked, pursuant to the Local Government Act 1995.

Therefore members of the public should not rely on any decisions until formal notification in writing by Council has been received. Any plans or documents in agendas and minutes may be subject to copyright. The express permission of the copyright owner must be obtained before copying any copyright material."

1.3 Attendance Via Electronic Means

Upon confirmation of meeting the requirements of Regulation 14C of the Local Government (Administration) Regulations 1996, the Shire President has approved Mr Justin Lee's attendance at this meeting via electronic means.

1.4 Standing Orders

1.5 Announcement of Visitors

1.6 Declarations of Interest that Might Cause a Conflict

Councillors/Staff are reminded of the requirements of s5.65 of the Local Government Act 1995, to disclose any interest during the meeting when the matter is discussed and also of the requirement to disclose an interest affecting impartiality under the Shire of York's Code of Conduct.

Name	Item No & Title	Nature of Interest (and extent, where appropriate)

1.7 Declaration of Financial Interests

A declaration under this section requires that the nature of the interest must be disclosed. Consequently a member who has made a declaration must not preside, participate in, or be present during any discussion or decision making procedure relating to the matter the subject of the declaration.

Other members may allow participation of the declarant if the member further discloses the extent of the interest and the other members decide that the interest is trivial or insignificant or is common to a significant number of electors or ratepayers.

Name	Item No & Title	Nature of Interest (and extent, where appropriate)

1.8 Disclosure of Interests that may affect Impartiality

Councillors and staff are required (Code of Conduct), in addition to declaring any financial interest, to declare any interest that might cause a conflict. The member/employee is also encouraged to disclose the nature of the interest. The member/employee must consider the nature and extent of the interest and whether it will affect their impartiality. If the member/employee declares that their impartiality will not be affected then they may participate in the decision making process.

Name	Item No & Title	Nature of Interest (and extent, where appropriate)

2 ATTENDANCE

- 2.1 Members
- 2.2 Staff
- 2.3 Apologies
- 2.4 Leave of Absence Previously Approved
- 2.5 Number of People in the Gallery at Commencement of Meeting

3 QUESTIONS FROM PREVIOUS MEETINGS

4 PUBLIC QUESTION TIME

Public Question Time is conducted in accordance with the Act and Regulations. In addition to this the Shire's *Local Government (Council Meetings) Local Law 2016* states –

6.7 Other procedures for question time for the public

- (1) A member of the public who wishes to ask a question during question time must identify themselves and register with a Council Officer immediately prior to the meeting.
- (2) A question may be taken on notice by the Council for later response.
- (3) When a question is taken on notice the CEO is to ensure that—
 - (a) a response is given to the member of the public in writing; and
 - (b) a summary of the response is included in the agenda of the next meeting of the Council.
- (4) Where a question relating to a matter in which a relevant person has an interest is directed to the relevant person, the relevant person is to—
 - (a) declare that he or she has an interest in the matter; and
 - (b) allow another person to respond to the question.

- (5) Each member of the public with a question is entitled to ask up to 2 questions before other members of the public will be invited to ask their questions.
- (6) Where a member of the public provides written questions then the Presiding Member may elect for the questions to be responded to as normal business correspondence.
- (7) The Presiding Member may decide that a public question shall not be responded to where—
 - (a) the same or similar question was asked at a previous meeting, a response was provided and the member of the public is directed to the minutes of the meeting at which the response was provided;
 - (b) the member of the public uses public question time to make a statement, provided that the Presiding Member has taken all reasonable steps to assist the member of the public to phrase the statement as a question; or
 - (c) the member of the public asks a question that is offensive or defamatory in nature, provided that the Presiding Member has taken all reasonable steps to assist the member of the public to phrase the question in a manner that is not offensive or defamatory.
- (8) A member of the public shall have 2 minutes to submit a question.
- (9) The Council, by resolution, may agree to extend public question time.
- (10) Where any questions remain unasked at the end of public question time they may be submitted to the CEO who will reply in writing and include the questions and answers in the agenda for the next ordinary Council meeting.
- (11) Where an answer to a question is given at a meeting, a summary of the question and the answer is to be included in the minutes.

4.1 Written Questions – Current Agenda

4.2 Public Question Time

5 APPLICATIONS FOR LEAVE OF ABSENCE

6 PRESENTATIONS

7 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

Audit and Risk Committee Meeting - 21 March 2024

Confirmation

That the minutes of the Audit and Risk Committee Meeting held on 21 March 2024 be confirmed as a correct record of proceedings.

8 ANNOUNCEMENTS BY PRESIDING MEMBER WITHOUT DISCUSSION

9 OFFICER'S REPORTS

9.1 UPDATE ON THE FINDINGS IDENTIFIED DURING THE 2022/23 AUDIT

File Number: 4.0463, 4.4175

Author: Anneke Birleson, Acting Executive Manager Corporate & Community Services

Authoriser: Lindon Mellor, Acting Chief Executive Officer

Previously before Council: 26 March 2024 (100324)

Disclosure of Interest: Nil

Appendices: 1. Audit Findings Report - 2022/23 Final Audit [↓](#)
2. Audits Plan - Audit Findings 2022/23 [↓](#)

NATURE OF COUNCIL'S ROLE IN THE MATTER

Executive

PURPOSE OF REPORT

This report presents an update on the Findings identified in the 2022/23 Audit to the Audit and Risk Committee (ARC) for consideration and, if satisfactory, recommendation to Council for noting and acceptance.

BACKGROUND

The ARC considered the Findings from the 2022/23 Audit at its March 2024 meeting, with Council considering the ARC's recommendations at its March 2024 Ordinary Meeting where it resolved (in part) (100324):

"That, with regard to the Minutes and Recommendations of the Audit and Risk Committee Meeting held on 21 March 2024, Council:

1. Receives the Unconfirmed Minutes of the Audit and Risk Committee (the Committee) Meeting held on 21 March 2024, as presented in Appendix 1, and by adopting the following recommendations of the Committee, Council:

[a-i]

- j. Receives the Auditor's Audit Management Report from the Office of the Auditor General for the 2022/23 financial year.**
- k. Notes the Management Comment and Actions taken to address the Findings contained in the Auditor's Audit Management Report.**
- l. Requests the Chief Executive Officer to submit a copy of the Significant Findings Report stating what action the Shire of York has taken or intends to take with respect to the Significant Findings to the Minister for Local Government prior to 25 June 2024.**
- m. Requests the Chief Executive Officer to publish a copy of the Significant Findings Report stating what action the Shire of York has taken or intends to take with respect to the Significant Findings on the Shire's website within fourteen (14) days of the report being provided to the Minister for Local Government.**

n. Requests the Chief Executive Officer to report back on the Significant Findings at the next Audit and Risk Meeting, with a risk assessment against each finding.”

In accordance with part n of the above resolution, this report provides a risk assessment of each finding, controls that have been put into place and identifies whether further treatment of the risk is required or if officers are recommending the action taken and residual risk is acceptable.

COMMENTS AND DETAILS

The Auditor's Findings Report is presented in Appendix 1. The Findings are rated by the Auditors as Significant, Moderate or Minor (defined below).

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 could indicate the need for a modified audit opinion 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 opinion, it should be addressed promptly.
Moderate	Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
Minor	Those findings that are not of primary concern but still warrant action being taken.

Officers have applied the Risk Management Procedures, as outlined in the Shire's Risk Management Framework, to assess the risks to the organisation for each of the Findings:

1. Each Finding has been risk assessed based on the existing controls being in place and given an overall Risk Rating.
2. Based on the additional controls put in place, as recommended by the Auditors or identified by Shire Officers, the effectiveness of these controls has been identified and a Residual Risk Rating provided.
3. Based on the Residual Risk Rating an assessment of the acceptance level of the residual risk has been made. Where the residual risk is considered unacceptable, further treatment is recommended.

The audit findings and risk assessment have been uploaded into the Shire's strategic planning and reporting software, Cascade. This allows individual actions to be allocated to Officers and progress tracked and reported on.

The Audit Plan is presented in Appendix 2.

Officers are seeking recommendation from the ARC to Council, to Accept the residual risk for the following twelve (12) of the twenty-two (22) Findings:

1. Lack of segregation of duties with purchasing
2. Untimely reparation of accounts payable reconciliations
3. Conflict of interest declarations not completed timely
4. Network user access and Altus user privileges
5. Fortnightly payroll reconciliations
6. Management oversight of capital projects
7. Fair value of other infrastructure – frequency of valuations
8. Transfer between reserves
9. Untimely approval of purchase orders
10. Leave balances excluded from provisions
11. Untimely credit card termination/destruction

12. Guidelines for general journals

Seven (7) of the above were classed as Significant Findings and three (3) were identified in the 2021/22 Final Audit.

OPTIONS

The ARC has the following options:

Option 1: The ARC could choose to recommend to Council that it accepts the controls put in place and Residual Risk for twelve (12) of the Findings and notes further treatment is required for the remaining ten (10).

Option 2: The ARC could choose to recommend to Council that further treatment is required for all or a selection of the Findings.

Option 1 is the recommended option, with the acknowledgement that ongoing assessment and identification of opportunities for improvement will occur for those considered at an Acceptable risk level.

IMPLICATIONS TO CONSIDER

Consultative

Executive Leadership Team

Moore Australia

Strategic

Strategic Community Plan 2020-2030

Goal 5: Strong Leadership and Governance

To have effective and responsive leadership and governance, where a sense of collective purpose and shared direction combine to work together.

Policy Related

G17 Integrated Planning and Reporting - Planning

G19 Risk Assessment and Management

Financial

There are no direct financial implications relating to the risk assessment of the Audit Findings.

Legal and Statutory

Section 7.12A of the *Local Government Act 1995* is applicable and states:

“7.12A. Duties of local government with respect to audits

- (1) *A local government is to do everything in its power to —*
 - (a) *assist the auditor of the local government to conduct an audit and carry out the auditor’s other duties under this Act in respect of the local government; and*
 - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) *A local government must —*
 - (aa) *examine an audit report received by the local government; and*
 - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*

- (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must —
 - (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website."

The *Local Government (Audit) Regulations 1996* provides the legislative framework for the conduct of audits in local government and the role of the ARC in considering the results of those audits.

Risk Related

Failure to undertake the actions documented in the report could result in financial risk for the Shire.

Workforce

The workload required to complete the 2022/23 audit has been significant which has affected and will continue to affect operational capacity across multiple directorates into the near future.

VOTING REQUIREMENTS

Absolute Majority: No

RECOMMENDATION

That, with regard to the Update on the Findings Identified During the 2022/23 Audit, the Audit and Risk Committee recommends to Council that it:

1. Accepts the actions taken and residual risk for the following twelve (12) Findings:
 - a. Lack of segregation of duties with purchasing
 - b. Untimely reparation of accounts payable reconciliations
 - c. Conflict of interest declarations not completed timely
 - d. Network user access and Altus user privileges
 - e. Fortnightly payroll reconciliations
 - f. Management oversight of capital projects
 - g. Fair value of other infrastructure – frequency of valuations
 - h. Transfer between reserves
 - i. Untimely approval of purchase orders
 - j. Leave balances excluded from provisions
 - k. Untimely credit card termination/destruction
 - l. Guidelines for general journals
2. Requests the Chief Executive Officer to report back on progress against the remaining ten (10) Findings:
 - a. Untimely preparation and review of bank reconciliations
 - b. Depreciation of assets
 - c. Audit readiness and quality of financial and supporting documentation
 - d. Untimely preparation and review of the property, plant and equipment reconciliation
 - e. Asset revaluations
 - f. Monitoring of grants income and expenses
 - g. Plant recovery cost base rate and indirect/overhead cost allocation rate
 - h. Works in progress for capital projects
 - i. No asset addition forms
 - j. Assets with no depreciation

at the next Audit and Risk meeting.

ATTACHMENT

SHIRE OF YORK

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Untimely preparation and review of bank reconciliations	Yes	✓			✓
2. Lack of segregation of duties with purchasing	Yes	✓			✓
3. Untimely preparation of accounts payable reconciliation	Yes	✓			
4. Depreciation of assets	Yes	✓			
5. Conflict of interest declarations not completed timely	No	✓			
6. Audit readiness and quality of financials and supporting documentation	No	✓			
7. Network user access and Altus user privileges	No	✓			✓
8. Fortnightly payroll reconciliations	Yes	✓			
9. Untimely preparation and review of the property, plant and equipment reconciliation	Yes	✓			✓
10. Management oversight of capital projects	No	✓			
11. Asset revaluations	Yes	✓			
12. Monitoring of grants income and expenses	No	✓			✓
13. Fair value of other infrastructure – frequency of valuations	Yes	✓			
14. Transfer between reserves	No		✓		

ATTACHMENT

SHIRE OF YORK

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

15. Untimely approval of purchase orders	No		✓		✓
16. Plant recovery cost base rate and indirect/overhead cost allocation rate	No		✓		✓
17. Leave balances excluded from provisions	No		✓		
18. Works in Progress for capital projects	No		✓		
19. No asset addition forms	No			✓	
20. Assets with no depreciation	No		✓		✓
21. Untimely credit card termination/destruction	No			✓	
22. Guidelines for general journals	No			✓	
Business improvement opportunities					
23. Asset Management Plan and Long Term Financial Plan					

Key to ratings

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

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 could indicate the need for a modified audit opinion 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 opinion, it should be addressed promptly.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. Untimely preparation and review of bank reconciliations****Finding**

Bank reconciliations are an essential control in managing the accuracy and completeness of the Shire's accounting records and financial statements. Bank reconciliations are also a key aspect of internal controls over cash resources. During the final audit visit, we found the June 2023 Municipal Bank, Reserve Bank and Trust Bank reconciliations were not prepared and reviewed in a timely manner. From our review we noted the below findings:

Trust Account

- Trust bank reconciliations for the period July 2022 – April 2023 were not prepared and reviewed until June 2023. June 2023 reconciliation was prepared and reviewed in August 2023.

Reserve Account

- Reserve bank reconciliations for the period July 2022 – June 2023 were only prepared and reviewed between June – August 2023.

Municipal Account

- Municipal bank reconciliations from July 2022 – April 2023 were not prepared and reviewed until June 2023 and June 2023 were not prepared and reviewed until August 2023.
- We noted that the municipal fund reconciled balance did not agree to the general ledger. Management was unable to provide adequate explanation on the differences totalling \$1,084.
- We noted two differences totalling \$1,165 between the bank statements and municipal bank balances per the bank reconciliation. This was due to management incorrectly including interest for future periods within the bank balance at year end.
- In the municipal bank reconciliation as at 30 June 2023, we observed over 120 reconciling items in the form of unmatched receipts and outstanding deposits dating back to June 2021. Upon investigation, we found that a substantial number of these reconciling items were in fact addressed before 30 June 2023, with only a portion of the unreconciled amount remaining. This raises concerns about the accuracy and legitimacy of the reconciliation items and the reconciliation process.

The supporting documentation for the bank reconciliations was not readily available and only provided later upon request.

Rating: Significant**Implication**

The timely preparation and independent review of monthly bank reconciliations is a key control for ensuring financial transactions are valid, complete and accurately reflected in the financial records and bank accounts. This absence of this key financial control may increase the risk of fraudulent transactions, errors or omission going undetected, resulting in misstatements within the Shire's financial statements.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****Recommendation**

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.

Management comment

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.

Responsible person: Finance Manager
Completion date: Complete

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****2. Lack of segregation of duties with purchasing****Finding**

We tested a sample of 35 transactions and found insufficient segregation of duties between the ordering of goods and or services to invoice processing and payment. Our testing identified the following:

- seven out of 35 samples where the Chief Executive Officer (CEO) approved the purchase order and the invoice for payment.
- five out of 35 samples where the Executive Manager of Corporate and Community Services (EMCCS) approved the purchase order and the invoice for payment.
- one out of 35 samples where the Executive Manager of Infrastructure & Development Services (EMIDS) approved the purchase order and the invoice for payment.
- one out of 35 samples where IT & Payroll Officer at the time had performed the PO requisition, the incurring, and receipting of goods.

We understand that the limited segregation of duties noted is exacerbated as a result of the delegated financial authority gap between the CEO and the Executive Managers (EM), being \$250,000 and \$50,000, respectively, as established in the Shire of York's Policy Manual. At present the only Officer that has delegated financial authority for transactions between \$50,000 and \$250,000 is the CEO.

This finding was first raised in 2021/22.

Rating: Significant**Implication**

In the absence of sufficient and appropriate segregation of duties there is an increased risk of erroneous or fraudulent payments. Further there is a heightened risk of the Shire ordering and committing to unauthorised goods or services.

Where purchases are centralised to the individual business units, this may hamper the effectiveness of the delegated financial authority control mechanism as well as the efficiency of business operations.

Recommendation

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 financial authority to ensure it remains appropriate to meet the Shire's risk assessment and procurement requirements.

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.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****Management comment**

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 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.

Responsible person: EMCCS/Finance Manager

Completion date: Complete

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****3. Untimely preparation of accounts payable reconciliation****Finding**

From our review of the June 2023 accounts payable reconciliation, we noted this was not completed in a timely manner. This reconciliation is signed as prepared on 3 September 2023 and reviewed on 30 October 2023. This delay in completing the reconciliation approximately two months after year end and the review approximately two months after preparation is not considered timely.

Rating: Significant

Implication

Untimely reconciliation could result in inaccurate financial records, which have the potential of materially misstating the financial statements.

Recommendation

Reconciliations are prepared and reviewed in a timely manner.

Management comment

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.

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.

Responsible person: Finance Manager
Completion date: Complete

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****4. Depreciation of assets****Finding**

During our testing of depreciation, we noted that the depreciation rates being applied do not appear to be related to the useful lives determined upon revaluation of assets. This has caused differences in the depreciation expense for the year ended 30 June 2023. While we understand road infrastructure assets caused a significant portion of the difference in depreciation due to the above, has now been adjusted for, this exercise has not been extended to other asset classes.

Rating: Significant

Implication

Where assets are not depreciating in line with their useful lives, there is a risk that the depreciation expense and value of Property, Plant and Equipment and Infrastructure may be materially misstated. Further where depreciation applied does not reflect an assets use, this can cause difficulties in asset management planning.

Recommendation

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.

Management comment

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.

Responsible person:
Completion date:

Finance Manager
Complete

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****5. Conflict of interest declarations not completed timely****Finding**

During our testing of a tender process, we noted that the conflict of interest declaration completed by a panel member was completed 14 days after their review of the tenders.

Rating: Significant

Implication

Where tenders are assessed prior to completion of conflict of interest declarations there is a risk that conflicts are not known or considered prior to assessment of tenders. This disrupts the transparent and independent nature the tender process tries to achieve. Further, if the tender process has been compromised the Shire may be required to recommence a tender process impacting resources.

Recommendation

Checks are performed prior to tender evaluations being completed to ensure that all required conflict of interest declarations have been completed.

Management comment

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.

Responsible person: EMIDS
Completion date: Ongoing

Auditors' response

Risk attached to this finding has been rated as high. Sample selected involved a conflict of interest declaration that was not completed timely by a key member of management who can override controls. The risk is exacerbated with rotations of persons in key positions.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****6. Audit readiness and quality of financials and supporting documentation****Finding**

We encountered numerous difficulties during the year end audit process. These resulted in significant adjustments to the original signed financial statements provided to the auditors on 13 October 2023. This has impacted the Shire's ability to meet their reporting requirements and be audit ready. To assist in meeting the Shire's reporting obligations, the Shire has engaged a contractor to assist in the preparation of the financial statements, key reconciliations and provide support to the Shire's finance manager.

This also resulted in significant delays in the provision of audit information. The first version of the financial statements that agreed to the underlying trial balance was only provided on 30 November 2023.

Further, there were several documents which were not received with sufficient time to facilitate audit processes. Audit instilled a deadline of 29 November for outstanding items, where these queries were unable to be resolved an assessment was made on the ability to conclude on whether sufficient audit evidence was available and where appropriate, adjustments to the financial statements have been considered.

Rating: Significant**Implication**

As a result of the matters highlighted above, the financial statements approved to release by the Shire to the auditors were incorrect and did not agree to the underlying financial records. Significant additional time and effort has been committed by the audit team to try and progress this audit to a point.

Further, without timely consideration of the Shire's ability to fulfill its reporting responsibilities these may not be met.

Additionally, a delay in receiving appropriate documents and evidence can create inefficiencies and productivity of the audit. In the absence of sufficient appropriate audit evidence, we may not be able to comfortably conclude on such transactions and balances.

Recommendation

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 commencement 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.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****Management comment**

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.

Responsible person: EMCCS
Completion date: Completed

Auditors' response

We acknowledge there were few instances of duplicated requests which were experienced due to *Mimecast* downloads not being originally received. Additional pressure and delays have been experienced by Shire staff and the audit team with not all PBC items being provided by due dates or at the commencement of the final audit. Additionally, where the financial statements are not complete and supported there is increased enquiries to validate the Shire's financial statements. We encourage the Shire to follow *"Audit Readiness – Better Practice Guide"* and implement quality assurance procedures as part of preparing for next year's financial statement audit. We note that the Shire engaged their contractor to address the Shire's own resource constraints.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****7. Network user access and Altus user privileges****Finding****2023**

We found the Shire's network access management process is not fully effective. Testing identified four employees who were terminated prior to 30 June 2023 whose user accounts were not made inactive by 30 June 2023. Termination dates ranged from 16/08/2022 to 7/06/2023. For one of these accounts the last login date was after their termination date, this account does not appear to have access to Synergy or Altus Procurement. Further we found three accounts on the enabled users listing that did not appear to be employees or were not clearly identified as IT or Accounting service provider accounts, it is unclear if these accounts are appropriate.

From our review of the Altus Procurement user access and privileges listing we found that user privileges are not being appropriately restricted and controlled. Specifically, our testing identified four employees from diverse business areas that have been assigned super user privileges. From these accounts, it is possible to create, add and modify individual supplier accounts.

We were unable to perform a review of the Altus Payroll user access as the user listings for Altus Payroll were not provided to us in a timely manner allowing us to audit them.

2022

We found the Shire's network access management process is not fully effective. Testing identified one employee whose employment ceased on the 15 March 2022, however their network account remained active until 29 September 2022. We acknowledge that the Shire had lodged a ticket with Focus Network (IT service and management provider) to have the employee's account deactivated, however the ticket had not been processed by the service provider.

Additional audit testing confirmed the employee did not access the network from the date of their termination until the date their account was deactivated.

Altus Payroll and Procurement User Privileges:

From our review of the Altus Payroll and Procurement user access and privileges listing we found that user privileges are not being appropriately restricted and controlled. Specifically, our testing identified:

- Four employees from diverse business areas that have been assigned significant payroll privileges. From these accounts, it is possible to:
 - add employees, view and edit employee details (including names, date of birth, contact details, super and tax details),
 - edit employee entitlements and
 - manage pay runs, among other privileges.
- Three employees from diverse business areas that can override the required number of quotes imposed by the system and prescribed by the Shire's Procurement Policy.
- Four employees from diverse business areas that have been assigned super user privileges. From these accounts, it is possible to create, add and modify individual supplier accounts.

In addition, the Shire does not perform regular reviews of user access and privileges to validate the appropriateness of these.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

Rating: Significant

Implication

Without an effective user access management process in place, there is an increased risk that these accounts could be used to gain unauthorised access to the network or systems. Such access could involve access to or making copies of confidential documents or amendment or deletion of Shire records.

Where user privileges are assigned inappropriately, or they are no longer required to meet business requirements, there is an increased risk of unauthorised access and inappropriate changes being made within systems that may go undetected. This can result in deviations from internal policies and management directives as well as the occurrence of errors and/or fraudulent activities. This risk is increased where regular review of the appropriateness and validity of user access and privileges is not performed.

Recommendation

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 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.

Management comment

The Shire remains comfortable with the level of access provided. Regular audits are now conducted and the exit process updated to ensure removal of users from all systems.

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.

A policy position that assigns user access by position remains to be developed.

Responsible person: EMCCS
Completion date: December 2024

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****8. Fortnightly payroll reconciliations****Finding**

As part of our testing of design and implementation of payroll controls we were unable to be provided any fortnightly payroll reconciliations completed during the 2023 financial year. The Shire informed us that they were completed for the first half of the financial year however were unable to be located due to staff changes and reconciliations were not performed for the second half of the financial year due to new staff.

Rating: Significant

Implication

Where payroll reconciliations are not completed, there is a risk the General Ledger is inaccurate and not a complete representation of payroll related payments. Inadequate independent review of the payroll reconciliations increases the risk of errors, omissions or fraud going undetected.

Recommendation

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.

Management comment

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.

Responsible person: Finance Manager
Completion date: Complete

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****9. Untimely preparation and review of the property, plant and equipment reconciliation****Finding**

During the audit visit, we noted that Property, Plant and Equipment (PPE) was only reconciled as at 30 June 2023. This reconciliation was completed and reviewed in October 2023, almost four months after the end of the financial year

This finding was first raised in 2021/22.

Rating: Significant

Implication

PPE account reconciliations not prepared and reviewed in a timely manner increase the risk of unreconciled items and errors being undetected and/or not promptly corrected.

Recommendation

We recommend the Shire prepare and review its PPE account reconciliations in a timely manner.

Management comment

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.

Responsible person: Finance Manager
Completion date: June 2024

Auditor's response

This comment should not be tied to the audit. If the amendments to the FAR or GL are required as a result of the audit, then these are performed at the times as required. The 2021-22 audit opinion issued on 6 April 2023 - not relevant to the FY2022-2023.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****10. Management oversight of capital projects****Finding**

Prior to this financial year, the Audit and Risk Committee (ARC) were provided a mid-year budget review which contained a detailed project-level breakdown of all capital projects, showing the budgeted expenditure, actual expenditure and variances. The ARC are no longer provided this detailed breakdown, they are only given financial statement-level breakdowns. Without the regular and detailed review of these projects, there is a lack of management oversight of capital projects.

Rating: Significant

Implication

Without oversight of capital projects, there is an increased risk that projects are not managed effectively which can lead to project failure and financial loss.

Recommendation

The Shire should ensure there is regular oversight of capital projects by the ARC or other members of management.

Management comment

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 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.

Responsible person: EMCCS/EMIDS
Completion date: Complete

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****11. Asset revaluations****Finding**

Management undertook a revaluation of land, buildings, and infrastructure – other structures assets as at 30 June 2023. Infrastructure assets are revalued at least every five years in accordance with the Local Government (Financial Management) Regulations 1996. The last revaluation was performed in 2018.

During our review of the revaluation and reconciliations undertaken by the Shire, the following matters were noted:

- The revaluation journals included commentary mentioning that five assets which had a total written down value of \$476,853 as at 30 June 2023 have been transferred from Buildings to Infrastructure – other structures and three assets which had a total written down value of \$122,838 as at 30 June 2023 from Infrastructure – other structures to Infrastructure – drainage. No amounts have been disclosed in the financials as 'Transfers' for these asset categories.
- Assets with a purchase price of greater than \$5,000 but as the written down value is less than \$5,000 management has revalued them down to \$0. This is incorrect application of *Local Government (Financial Management) Regulations 1996 section 17A (5.)* We noted this as part of our review of the revaluation journal, we are unsure how widespread its application to all fixed assets is.
- Executive Management have conducted their own valuation of some of the infrastructure assets. No information to demonstrate the process conducted, inputs applied or conditions assessed has been provided. The reported 2022-23 carrying value of these assets is \$1,357,051. As such we are unable to conclude on these assets. For the category of these assets, being Infrastructure – Parks & Reserves based on the sector generally we have seen an average increase of 19.2%.
- For assets transferred between categories, rather than showing them as transfers in the financial statements, the assets have been revalued to nil in their previous category and revalued upwards from nil to their new value in the new asset category. This has misrepresented the gains and losses for categories of assets which have asset transfers.
- There is a difference in the split and combination of assets between the revaluation and the fixed asset register. As there has been no reconciliation between these two reports showing which assets are split and combined amongst the reports, we are unable to conclude on the completeness and accuracy of the asset valuations and we are unable to conclude if items have been missed.

Further, a complete and accurate reconciliation from the asset register to the general ledger and financial statements has not been provided. It should include additions, disposals, transfers, revaluations and depreciation. The latest version of the reconciliation report had numerous unexplained inconsistencies. We noted the following anomalies with it:

- We were advised through our inquiries of the revaluation journal that assets had been transferred between infrastructure categories and property plant and equipment – there is no disclosure of these.
- Whilst the total written down value balances agree to the financials, it is unclear why as the revaluation, depreciation and transfer details are in many instances different or not available. A reconciliation needs to clearly explain the reason for variances and include an appropriate level of detail to enable verification of notes 8a and 9a in the financial report.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

Rating: Significant

Implication

Without appropriate checks and reconciliations to demonstrate and verify the completeness of the revaluation process and the asset register, there is an increased risk of material misstatement in financial reports. Further, where clear documentation is unable to be provided to support movements between balances or amounts are unreconciled there is a risk that assets may be duplicated or mistakenly removed from the asset register.

Incorrect application of legislative and accounting standard requirements increases the risk of a material misstatement within the financial report.

Recommendation

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.

Management should thoroughly review and analyse the balances above, errors should be corrected.

Management comment

Assets subject to revaluation have been examined and all variances accounted for. This is now resolved.

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.

Responsible person: EMIDS/Finance Manager
Completion date: June 2025

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****12. Monitoring of grants income and expenses****Finding**

We noted that the Shire has not implemented a standard process to monitor grant income and expenses in the 2022-23 financial year. There is no ongoing review to track grant income and expenditure other than the mid-year Budget Review and quarterly Finance and Costing review.

This issue was raised in the 2019-20 financial year and was subsequently resolved the following year in 2020-21. The grant register was then appropriately being maintained by the Finance Department with follow up from responsible officers on progress sought on a monthly basis.

However, since 2021-22 financial year, the grant register was not maintained, and we were unable to verify that regular updates were being made.

Rating: Significant

Implication

Without regular monitoring of a grant register, the Shire is exposed to an increased risk of non-compliance with agreements, unrecorded transactions in the general ledger, and undisclosed commitments in the financial statements.

In addition current practice may result in non-compliance with AASB 15 or 1058 as no assessment has been made to determine the appropriate recognition of revenue of each grant, being either on receipt or over time. Incorrect revenue recognition may cause inaccuracies in the annual financial statements and the Shire's monthly financial information meaning financial decision making may be ill-informed.

Recommendation

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.

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. 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.

Management comment

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.

This register has been superseded by the Government Frameworks IPR software which will be implemented in 2024. Progress can be tested during Interim and Final Audits for 2023/24.

Responsible person: Finance Manager

Completion date: December 2024

Auditor's response

Given the completion date is December 2024, the Shire should consider putting processes in place to ensure their grant revenue at 30 June 2024 is correctly stated. We encourage to revisit interim measures to ensure they comply with the accounting standards.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****13. Fair value of other infrastructure – Frequency of valuations****Finding**

From the asset category Infrastructure – Parks and Reserves reported in Note 9(a) , we noted a number of assets with a carrying value of \$1,357,051, as at 30 June 2023, have not been revalued with sufficient regularity, as required by Regulation 17A(4A)(b) of the Local Government (Financial Management) Regulations 1996, since 2017-18.

Further, on review of the asset category of Infrastructure – Other Structures reported in Note 9(a) of the financial report at the carrying value of \$4,845,335, it is unclear if all the assets have been appropriately revalued and recorded in the asset register. On review of management comments we noted the following:

- Some assets noted as recategorised, on review of the asset details and revaluations we were unable to verify that these assets have been recategorised.
- Management comments for several assets include comments to the effect that no valuation was provided due to incorrect asset class or further investigation required with clarity required for what infrastructure exists in this asset and assets details unknown, new detailed asset added to register.

Rating: Significant**Implication**

Without a robust assessment of fair value of the Shire's Other infrastructure assets, there is a risk that the carrying value of these assets is not reflected at fair in compliance with *AASB 13 Fair Value Measurement*, as well as Regulation 17(A) of the Regulations.

Further, where it is unclear if the asset listings are complete or correct, we are unable to form an opinion as to the value of these balances.

Recommendation

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 five 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 five years in accordance with Regulation 17(A) of the Regulations.

Management comment

This has been resolved.

Responsible person: EMCCS/Finance Manager
Completion date: Complete

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****14. Transfer between reserves****Finding**

We noted that the trial balance indicates that there was a \$100,000 transfer from Recreation Reserve to Swimming Pool Reserve. This transfer was budgeted to take place in 2022 however this was completed in 2023, it is missing from the financial statements.

Rating: Moderate**Implication**

Inconsistency between the trial balance and financial statements is misstatement of the financial statements and can lead to the financial statements being materially misstated.

Recommendation

Financial statements should be adjusted to reflect the transfer.

Management comment

Advice was sought on the treatment of this item from DGLSC. Their advice is as follows:

With the Swimming Pool Reserve, as the \$100,000 transfer was not undertaken in 2021-22 and there is no council resolution in 2022-23 to authorise a \$100,000 transfer from the Recreation Reserve, I don't believe there is any authority to make the transfer. Note: (1) As the 2022-23 Budget showed the Swimming Pool as having an opening balance of \$100,000, there was no authority in the budget document to transfer \$100,000 from the Recreation Reserve. (2) To rectify this, I would suggest putting an item in the Budget Review that is due to Council by 31 March 2024, to transfer \$100,000 from the Recreation Reserve to the Swimming Pool Reserve as previously flagged by Council, and then do a local public notice. The alternative is to wait for the 2024-25 Budget.

The Shire proposes to seek approval for the transfer in the 2023/24 FY via mid-year review and to undertake the required public notice.

Responsible person: Finance Manager
Completion date: March 2024

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****15. Untimely approval of purchase orders****Finding**

Our testing identified four instances where the purchase orders were raised and approved after the receipt of invoices.

This finding was first raised in 2021-22.

Rating: Moderate**Implication**

Purchases made without authorised purchase orders may increase the risk of unauthorised expenditure occurring and going undetected. Further it is more difficult for the Shire to track whether expenditure incurred is in line with budgets or expectations and is dependent on the receipt of a tax invoice.

Recommendation

Purchase orders are an important control in the procurement process as they ensure purchases are appropriate, necessary and comply with procurement policies prior to the receipt of goods or services.

The Shire should ensure that purchase orders are raised and approved prior to the ordering of goods and or services.

Management comment

As noted in previous responses, management resolves this via education and training at induction and its annual procurement refresher. Non-compliance is tracked by the Finance team and provided to supervisors to action via the appropriate HR processes.

Responsible person: All supervisors
Completion date: Ongoing

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****16. Plant recovery cost base rate and indirect/overhead cost allocation rate****Finding**

From our testing we noted the following rates used by the Shire to capitalise costs to infrastructure projects have not been reviewed in recent years. We understand the last review was performed in 2006.

- Plant recovery cost base rates used for capitalising plant costs to projects.
- The rate used for indirect and overhead cost allocation to projects by the Shire which has been determined as 140%.

From our testing we deemed the impact to be immaterial.

This is the fourth year we are raising this finding.

Rating: Moderate**Implication**

The use of outdated base rate for plant recovery cost and the application of indirect/overhead cost recovery rate increases the risk of the project/fixed assets costs being misstated.

Recommendation

The Shire should review the base rate for plant recovery costs and the indirect/overhead cost recovery rate to determine their currency and accuracy.

Management comment

This work has not been completed but assistance in ensuring a robust process has been sought via the contract with Moore Australia.

Responsible person: Finance Manager
Completion date: December 2024

Auditor's response

This finding has been raised for four years, the rate was last reviewed in 2006. We note the completion date is after the conclusion of the 30 June 2024 financial year. There is greater risk that these rates are no longer fit for purpose.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****17. Leave balances excluded from provisions****Finding**

During our testing of leave balances, we noted the following discrepancies:

- Four employees which were terminated after 30 June 2023 had their leave balances excluded from the provision calculations for annual and long service leave
- We noted there were many casual employees with no long service leave balance
- We noted one employee who transferred to the Shire in October 2022 which has not had their transferred leave balances recognised at 30 June 2023 or to date based on enquiry with shire staff
- One casual employee had been incorrectly set up in the system and was accruing annual leave which they were not entitled to.

Rating: Moderate

Implication

Where leave balances are being excluded or not recording correctly, there is a risk that provisions balances are misstated.

Recommendation

Leave provisions are reviewed against employee listings to ensure all employees accruing leave, should be and any employee with nil leave balances are appropriate.

Management comment

Delays in processing this information occurred due to lack of information/training from the Shire's payroll system support provider. This information was received in late November 2023 and will be processed prior to end June 2024. The incorrectly accruing leave has been corrected.

The Shire is unable to find any casual employees without long service leave policies in place and thus disputes this element of the finding. The Shire believes there is no requirement to consider casual staff LSL in leave provisions as the likelihood of a casual staff member meeting the minimum employment timeframes for LSL eligibility is zero.

Responsible person: Finance Manager
Completion date: June 2024

Auditor's response

The listing of casual employees which were not included as part of Long Service Leave (LSL) calculations had been provided to the Shire on 20 November 2023. We were provided a response that some of the employees were not considered to be entitled to LSL due to their type of work and 'period between service is greater than two weeks', this is not an indicator of a break in service under the LSL act. Without considering long service leave entitlements due to casual employees the shire may not be meeting their legal obligations.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****18. Works in Progress for capital projects****Finding**

We noted that the Shire does not maintain a Works in Progress (WIP) balance for capital projects. Capital invoices are capitalised to their corresponding assets as they are incurred, irrespective of the asset's readiness or availability for use.

In addition, the Shire was unable to provide clear evidence of reconciliation of the movements during the year on an individual project basis.

Rating: Moderate

Implication

Incorrect capitalisation could result in asset, depreciation and expense accounts being misstated.

Recommendation

The Shire should ensure that only valid items are capitalised and develop a policy and procedure providing guidance on the accounting treatment for costs relating to capital projects.

Management comment

Noted. The Shire will review this requirement to see whether it is applicable.

Responsible person: Finance Manager/EMIDS

Completion date: December 2024

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****19. No asset addition forms****Finding**

We noted that the Shire do not use asset addition forms when assets are acquired and added to the asset register.

Rating: Minor

Implication

Use of asset addition forms allows the asset team to clearly communicate specific information such as useful lives and date assets were received to the finance team for input into the accounting records.

Recommendation

The Shire should implement the use of asset addition forms.

Management comment

This recommendation is noted, we will look to implement this in 2024.

Responsible person: EMIDS/Finance Manager
Completion date: December 2024

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****20. Assets with no depreciation****Finding**

From our review of the financial asset register, we identified the following:

- Six assets on the assets register for which there was no depreciation for the year. The expected depreciation at 30 June 2023 is \$43,853. The Shire has not adjusted for this error.

This finding was first raised in 2021/22.

Rating: Moderate**Implication**

When assets are not assigned a depreciation rate, or when assets are not being depreciated this can lead to an understatement in depreciation expense and an overstatement in the net book value of assets being reported in the financial statements. This can also result in assets not reflecting their accurate future service potential.

Recommendation

The Shire should ensure that depreciation rates are assigned for asset additions on acquisition and that depreciation charge is consistently and accurately generated by the asset module.

Furthermore, the Shire should review the depreciation rate of all assets to ensure they are aligned with the remaining economic benefits and future service potential of these assets.

Management comment

Please see comments at Finding 11.

Responsible person: EMIDS/Finance Manager
Completion date: June 2025

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****21. Untimely credit card termination/destruction****Finding**

During our testing of purchasing cards, we noted one instance where on termination of an employee, the card was not cancelled timely. The employee was terminated on 12 May 2023 however the card was not destroyed until the 30 August 2023.

Rating: Minor**Implication**

Untimely cancellation of purchasing cards poses a risk that terminated staff can inappropriately use shire purchasing cards for unapproved purchases.

Recommendation

The Shire should ensure that credit cards are cancelled in a timely manner to mitigate the potential credit card fraud.

Management comment

Although the card should have been destroyed, it was securely stored in the Shire safe and remained unused during the transition period between the departure of the outgoing EMIDS and the eventual destruction of the card. While an acting EMIDS was appointed the Shire operated only with the EMCCS card. It's important to note that a completely new and independent card was obtained for the incoming EMIDS after appointment in the new FY, ensuring no overlap or misuse of resources.

Responsible person:

Finance Manager

Completion date:

Completed

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****22. Guidelines for general journals****Finding**

We noted that current Management Guidelines General Journals procedure is still not updated. The document came into force in June 2016, and it has not been reviewed since then. It references to positions that no longer exist within the Shire and may no longer reflect processes implemented by the Shire.

Rating: Minor**Implication**

Where journal procedures are not regularly updated, there is a risk that they are no longer effective and do not reflect current requirements, internal practice or expectations.

Recommendation

The Shire should ensure that the Management Guidelines General Journals procedure is updated.

Management comment

Noted.

Responsible person: Finance Manager/EMCCS
Completion date: December 2024

Auditor's response

Given the issues that the Shire faced with journals in the FY 21-22 year, Shire should be comfortable to not have up to date guidelines for journals until December 2024. This again means the issue won't be addressed for FY 23-24, effectively taking two years to ensure appropriate guidelines are in place. Controls around journals are key (fraud risk) and one way to ensure these are understood and followed is by having up to date guidelines clearly outlining the Shire's expectations.

ATTACHMENT**SHIRE OF YORK****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****Business improvement opportunities****23. Asset Management Plan and Long-Term Financial Plan****Finding**

The Shire's current Asset Management Plan (AMP) was prepared in 2019. As a result, the Long-Term Financial Plan (LTFP) is also not sufficiently updated.

This finding was first raised in 2020/21

Long term financial decisions made by the council may not be based on updated financial information.

Management comment

This assertion is inaccurate. The Shire finalised the update of its transport asset management plans in 2023, which played a pivotal role in shaping the 2022/23 Annual Financial Statement. It's crucial to note that the majority of the Shire's asset value is encompassed within these plans. Presently, efforts are underway to finalise the minor asset classes, including Land, Building, and Infrastructure Other.

Additionally, Moore Australia is currently in the process of updating the Long-Term Financial Plan. This update will incorporate insights from the Workforce Plan and the ongoing development of Asset Management Plans.

Responsible person: MCCS/EMIDS
Completion date: May 2024

Auditor's response

We acknowledge the Shire's work towards updating its AMP and LTFP. Land, buildings and infrastructure - other represents 26% of the Shire's Property, plant, equipment and Infrastructure.



AUDITS PLAN

AUDIT FINDINGS 2022/23

Goal	Audit Rating	Prior Year Finding	Implication	Consequence	Likelihood	Risk Rating	Audit Recommendations	Management Comment	Rating of Additional Controls in Place	Residual Consequence	Residual Likelihood	Residual Risk Rating	Risk Treatment	Comment	Current Completion
<u>Untimely preparation and review of bank reconciliations</u>	Significant	Yes	The timely preparation and independent review of monthly bank reconciliations is a key control for ensuring financial transactions are valid, complete and accurately reflected in the financial records and bank accounts. This absence of this key financial control may increase the risk of fraudulent transactions, errors or omission going undetected, resulting in misstatements within the Shire's financial statements	Moderate	Almost Certain	High	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 for 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.	Adequate	Moderate	Likely	High	Treat	Continue to work towards weekly Municipal reconciliations and monthly Trust reconciliations. Ongoing staff training.	30% 30 / 100
<u>Lack of segregation of duties with purchasing</u>	Significant	Yes	In the absence of sufficient and appropriate segregation of duties there is an increased risk of erroneous or fraudulent payments. Further there is a heightened risk of the Shire ordering and committing to unauthorised goods or services. Where purchases are centralised to the individual business units, this may hamper the effectiveness of the delegated financial authority control mechanism as well as the efficiency of business operations	Moderate	Almost Certain	High	The Shire should review its underlying policies, procedures, systems and controls around ordering, receiving 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 financial authority to ensure it remains appropriate to meet the Shire's risk assessment and procurement requirements. 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.	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 by Council at its 19 December 2023 OCM Resolution 121233. The policy changes were communicated to all staff in January and the new receiving 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.	Effective	Minor	Likely	Moderate	Accept	There are still occurrences where complete segregation of duties is not possible. For example, legal matters or highly sensitive matters where only the CEO and one other is party to the dealings.	100% 100 / 100

<u>Untimely preparation of accounts payable reconciliations</u>	Significant	No	Untimely reconciliation could result in inaccurate financial records, which have the potential of materially misstating the financial statements.	Moderate	Likely	High	Reconciliations are prepared and reviewed in a timely manner.	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 processes were finalised. 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.	Effective	Minor	Likely	Moderate	Accept	Review procedure in place, ongoing monitoring of enactment.	100% 100 / 100
<u>Depreciation of assets</u>	Significant	No	Where assets are not depreciating in line with their useful lives, there is a risk that the depreciation expense and value of Property, Plant and Equipment and Infrastructure may be materially misstated. Further where depreciation applied does not reflect an assets use, this can cause difficulties in asset management planning.	Extreme	Almost Certain	Extreme	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.	Adequate	Major	Likely	High	Treat	Ongoing review of depreciation rates following adoption and reviews of asset management plans	10% 10 / 100
<u>Conflict of interest declarations not completed timely</u>	Significant	No	Where tenders are assessed prior to completion of conflict of interest declarations there is a risk that conflicts are not known or considered prior to assessment of tenders. This disrupts the transparent and independent nature the tender process tries to achieve. Further, if the tender process has been compromised the Shire may be required to recommence a tender process impacting resources.	Major	Possible	High	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.	Effective	Major	Possible	High	Accept	The risk is still there, but is acceptable due to level of internal controls and management of tender process. For example, the tender review documentation ensures conflicts of interest are identified prior to the evaluation commencing.	100% 100 / 100

<u>Audit readiness and quality of financials and supporting documentation</u>	Significant	No	As a result of the matters highlighted above, the financial statements approved to release by the Shire to the auditors were incorrect and did not agree to the underlying financial records. Significant additional time and effort has been committed by the audit team to try and progress this audit to a point. Further, without timely consideration of the Shire's ability to fulfil its reporting responsibilities these may not be met. Additionally, a delay in receiving appropriate documents and evidence can create inefficiencies and productivity of the audit. In the absence of sufficient appropriate audit evidence, we may not be able to comfortably conclude on such transactions and balances.	Major	Likely	High	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 commencement 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.	Adequate	Major	Possible	High	Treat	Despite disputing this finding the Shire recognises that key staff FM and EMCSS have competing priorities at audit times and cannot fully service ongoing OAG requests. As part of the Workforce Plan recommendations a further primary audit contact has been established to ensure continuity of service to the auditors. This position has already been filled, and contact made with the 2023/24 Audit team.	60% 60 / 100
<u>Network user access and Altus user privileges</u>	Significant	Yes	Without an effective user access management process in place, there is an increased risk that these accounts could be used to gain unauthorised access to the network or systems. Such access could involve access to or making copies of confidential documents or amendment or deletion of Shire records. Where user privileges are assigned inappropriately, or they are no longer required to meet business requirements, there is an increased risk of unauthorised access and inappropriate changes being made within systems that may go undetected. This can result in deviations from internal policies and management directives as well as the occurrence of errors and/or fraudulent activities. This risk is increased where regular review of the appropriateness and validity of user access and privileges is not performed.	Major	Possible	High	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 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.	The Shire remains comfortable with the level of access provided. Regular audits are now conducted and the exit process updated to ensure removal of users from all systems. 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 EMCSS. A policy position that assigns user access by position remains to be developed.	Effective	Major	Unlikely	Moderate	Accept	System Access review undertaken in line with new Workforce Plan, Procedures for regular audit of system access in place along with procedure for exiting staff	100% 100 / 100

<u>Fortnightly payroll reconciliations</u>	Significant	No	Where payroll reconciliations are not completed, there is a risk the General Ledger is inaccurate and not a complete representation of payroll related payments. Inadequate independent review of the payroll reconciliations increases the risk of errors, omissions or fraud going undetected.	Major	Almost Certain	Extreme	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.	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.	Effective	Major	Unlikely	Moderate	Accept	Controls in place, Reconciliations completed regularly	100% 100 / 100
<u>Untimely preparation and review of the property, plant and equipment reconciliation</u>	Significant	Yes	PPE account reconciliations not prepared and reviewed in a timely manner increase the risk of unreconciled items and errors being undetected and/or not promptly corrected.	Major	Almost Certain	Extreme	We recommend the Shire prepare and review its Property, Plant & Equipment account reconciliations in a timely manner.	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.	Adequate	Major	Likely	High	Treat	As part of the Workforce Plan recommendations an additional resource has been established. This position has been filled with assets being a key focus area.	0% 0 / 100
<u>Management oversight of capital projects</u>	Significant	No	Without oversight of capital projects, there is an increased risk that projects are not managed effectively which can lead to project failure and financial loss.	Major	Possible	High	The Shire should ensure there is regular oversight of capital projects by the [Audit & Risk Committee], ARC or other members of management.	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 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.	Effective	Major	Unlikely	Moderate	Accept	The Terms of Reference for the Audit and Risk Committee state no such requirement, nor does Regulation 16 of the Local Government (Audit) Regulations 1996 which defines the functions of an audit committee.	100% 100 / 100
<u>Asset valuations</u>	Significant	No	Without appropriate checks and reconciliations to demonstrate and verify the completeness of the revaluation process and the asset register, there is an increased risk of material misstatement in financial reports. Further, where clear documentation is unable to be provided to support movements between balances or amounts are unreconciled there is a risk that assets may be duplicated or mistakenly removed from the asset register. Incorrect application of legislative and accounting standard requirements increases the risk of a material misstatement within the financial report.	Major	Almost Certain	Extreme	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. Management should thoroughly review and analyse the balances above, errors should be corrected.	Assets subject to revaluation have been examined and all variances accounted for. This is now resolved. 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.	Inadequate	Major	Likely	High	Treat	Identified need for review of all asset classes and asset management procedures including capture in asset registers	10% 10 / 100

Monitoring of grants income and expenses	Significant	Yes	Without regular monitoring of a grant register, the Shire is exposed to an increased risk of non-compliance with agreements, unrecorded transactions in the general ledger, and undisclosed commitments in the financial statements. In addition current practice may result in non-compliance with AASB 15 or 1058 as no assessment has been made to determine the appropriate recognition of revenue of each grant, being either on receipt or over time. Incorrect revenue recognition may cause inaccuracies in the annual financial statements and the Shire's monthly financial information meaning financial decision making may be ill-informed.	Major	Likely	High	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. 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. 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.	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. This register has been superseded by the Government Frameworks IPR software which will be implemented in 2024. Progress can be tested during Interim and Final Audits for 2023/24.	Inadequate	Major	Likely	High	Treat	Grant monitoring through Cascade still in development, procedures to be defined	10% 10 / 100
Fair value of other infrastructure – frequency of valuations	Significant	No	Without a robust assessment of fair value of the Shire's Other infrastructure assets, there is a risk that the carrying value of these assets is not reflected at fair in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17(A) of the Regulations. Further, where it is unclear if the asset listings are complete or correct, we are unable to form an opinion as to the value of these balances.	Major	Likely	High	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.	Effective	Major	Unlikely	Moderate	Accept	Regular revaluations in place as part of asset management plan reviews. A Fair Value assessment for Land and Buildings was completed in the 2023/24 financial year.	100% 100 / 100

<u>Transfer between reserves</u>	Moderate	No	Inconsistency between the trial balance and financial statements is misstatement of the financial statements and can lead to the financial statements being materially misstated.	Moderate	Likely	High	Financial statements should be adjusted to reflect the transfer.	Advice was sought on the treatment of this item from DGLSC. Their advice is as follows: With the Swimming Pool Reserve, as the \$100,000 transfer was not undertaken in 2021-22 and there is no council resolution in 2022-23 to authorise a \$100,000 transfer from the Recreation Reserve, I don't believe there is any authority to make the transfer. Note: (1) As the 2022-23 Budget showed the Swimming Pool as having an opening balance of \$100,000, there was no authority in the budget document to transfer \$100,000 from the Recreation Reserve. (2) To rectify this, I would suggest putting an item in the Budget Review that is due to Council by 31 March 2024, to transfer \$100,000 from the Recreation Reserve to the Swimming Pool Reserve as previously flagged by Council, and then do a local public notice. The alternative is to wait for the 2024-25 Budget. The Shire proposes to seek approval for the transfer in the 2023/24 FY via mid-year review and to undertake the required public notice.	Effective	Moderate	Unlikely	Moderate	Accept	Completed. The transfer was approved by Council at its Ordinary Meeting in March 2024 (Resolution 100324)	100% 100 / 100
<u>Untimely approval of purchase orders</u>	Moderate	Yes	Purchases made without authorised purchase orders may increase the risk of unauthorised expenditure occurring and going undetected. Further it is more difficult for the Shire to track whether expenditure incurred is in line with budgets or expectations and is dependent on the receipt of a tax invoice.	Moderate	Almost Certain	High	Purchase orders are an important control in the procurement process as they ensure purchases are appropriate, necessary and comply with procurement policies prior to the receipt of goods or services. The Shire should ensure that purchase orders are raised and approved prior to the ordering of goods and or services.	As noted in previous responses, management resolves this via education and training at induction and its annual procurement refresher. Non-compliance is tracked by the Finance team and provided to supervisors to action via the appropriate HR processes.	Adequate	Moderate	Likely	High	Accept	Ongoing training and monitoring of process	100% 100 / 100
<u>Plant recovery cost base rate and indirect/overhead cost allocation rate</u>	Moderate	Yes	The use of outdated base rate for plant recovery cost and the application of indirect/overhead cost recovery rate increases the risk of the project/fixed assets costs being misstated.	Moderate	Likely	High	The Shire should review the base rate for plant recovery costs and the indirect/overhead cost recovery rate to determine their currency and accuracy.	This work has not been completed but assistance in ensuring a robust process has been sought via the contract with Moore Australia.	Inadequate	Moderate	Likely	High	Treat	In progress	20% 20 / 100
<u>Leave balances excluded from provisions</u>	Moderate	No	Where leave balances are being excluded or not recording correctly, there is a risk that provisions balances are misstated.	Moderate	Likely	High	Leave provisions are reviewed against employee listings to ensure all employees accruing leave, should be and any employee with nil leave balances are appropriate.	Delays in processing this information occurred due to lack of information/training from the Shire's payroll system support provider. This information was received in late November 2023 and will be processed prior to end June 2024. The incorrectly accruing leave has been corrected. The Shire is unable to find any casual employees without long service leave policies in place and thus disputes this element of the finding. The Shire believes there is no requirement to consider casual staff LSL in leave provisions as the likelihood of a casual staff member meeting the minimum employment timeframes for LSL eligibility is zero.	Effective	Moderate	Possible	Moderate	Accept	Corrections to leave accruals almost complete. Ongoing monitoring of leave accruals by Payroll Officer	100% 100 / 100

<u>Works in progress for capital projects</u>	Moderate	No	Incorrect capitalisation could result in asset, depreciation and expense accounts being misstated.	Moderate	Likely	High	The Shire should ensure that only valid items are capitalised and develop a policy and procedure providing guidance on the accounting treatment for costs relating to capital projects.	Noted. The Shire will review this requirement to see whether it is applicable.	Inadequate	Moderate	Likely	High	Treat	In progress	20% 20 / 100
<u>No asset addition forms</u>	Minor	No	Use of asset addition forms allows the asset team to clearly communicate specific information such as useful lives and date assets were received to the finance team for input into the accounting records.	Minor	Almost Certain	High	The Shire should implement the use of asset addition forms.	This recommendation is noted, we will look to implement this in 2024.	Inadequate	Minor	Almost Certain	High	Treat	The form has been created. We need to work on its implementation.	80% 80 / 100
<u>Assets with no depreciation</u>	Moderate	Yes	When assets are not assigned a depreciation rate, or when assets are not being depreciated this can lead to an understatement in depreciation expense and an overstatement in the net book value of assets being reported in the financial statements. This can also result in assets not reflecting their accurate future service potential.	Minor	Almost Certain	High	The Shire should ensure that depreciation rates are assigned for asset additions on acquisition and that depreciation charge is consistently and accurately generated by the asset module. Furthermore, the Shire should review the depreciation rate of all assets to ensure they are aligned with the remaining economic benefits and future service potential of these assets.	Please see comments at Finding 11. Assets subject to revaluation have been examined and all variances accounted for. This is now resolved. 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.	Inadequate	Minor	Almost Certain	High	Treat	Identified need for review of all asset classes and asset management procedures including capture in asset registers	0% 0 / 100
<u>Untimely credit card termination / destruction</u>	Minor	No	Untimely cancellation of purchasing cards poses a risk that terminated staff can inappropriately use shire purchasing cards for unapproved purchases.	Minor	Unlikely	Low	The Shire should ensure that credit cards are cancelled in a timely manner to mitigate the potential credit card fraud.	Although the card should have been destroyed, it was securely stored in the Shire safe and remained unused during the transition period between the departure of the outgoing EMIDS and the eventual destruction of the card. While an acting EMIDS was appointed the Shire operated only with the EMCCS card. It's important to note that a completely new and independent card was obtained for the incoming EMIDS after appointment in the new FY, ensuring no overlap or misuse of resources.	Effective	Minor	Rare	Low	Accept	Controls in place	100% 100 / 100
<u>Guidelines for general journals</u>	Minor	No	Where journal procedures are not regularly updated, there is a risk that they are no longer effective and do not reflect current requirements, internal practice or expectations.	Minor	Unlikely	Low	The Shire should ensure that the Management Guidelines General Journals procedure is updated.	Noted.	Effective	Minor	Unlikely	Low	Accept	Low risk but procedure to be updated by new Finance Manager	100% 100 / 100

10 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil

11 QUESTIONS FROM MEMBERS WITHOUT NOTICE

12 BUSINESS OF AN URGENT NATURE INTRODUCED BY DECISION OF THE MEETING

13 CLOSURE