

SHIRE OF KELLERBERRIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Superannuation Guarantee Contributions and Matching Super Contributions	No	✓			✓
2. Excessive Annual Leave	No			✓	
3. Invoice Value in excess of Purchase Order Value	No		✓		
4. Monetary value not indicated on Purchase Order	No		✓		
5. Purchase Quotations	No		✓		✓
6. Sundry Debtors	No		✓		
7. Business Continuity and Disaster Recovery Plan	No		✓		✓
8. Cyber Security Risks	No		✓		✓
9. User Access Rights	No		✓		✓
10. Network Use and Unauthorised Log in Attempts	No		✓		✓
11. General Journals	No			✓	

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).

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- 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.

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FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Superannuation Guarantee (SG) Contributions and Matching Super Contributions

Finding

During our payroll testing, we noted the following instances:

- an error in the SG contributions calculation for one of the employees which we understand arose as a result of an error in the set-up of accounts/pay policies
- council matching super had not been correctly calculated in respect of an employee who made a super salary sacrifice.

As reported in our 2023-24 management letter, in 2023-24, we also noted instances of errors in the superannuation guarantee contributions calculations.

Rating: Significant (2024: Significant)

Implication

There is a risk of under/over payment of superannuation guarantee contributions and non-compliance with associated laws and regulations.

Recommendation

The Shire should investigate the recurring root causes of the errors in the superannuation calculations. In addition, the calculations should be reviewed by an independent senior officer to confirm their accuracy and completeness ensuring that the information uploaded into the system is accurate.

Management Comment

This has been rectified through the payroll system. Superannuation report is reviewed, and counter signed by management.

Responsible Person: Payroll Officer & Chief Executive Officer

Completion Date: 30 May 2025

SHIRE OF KELLERBERRIN

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2. Excessive Annual leave

Finding

During our audit of the leave balances, we noted 2 instances where employee annual leave balances as at end of February 2025 exceeded 300 annual leave hours. We further noted that the Shire's leave policy does not specify what constitutes excessive annual leave.

Generally, an annual leave balance is considered 'excessive' if an employee has more than 8 weeks of annual leave.

Rating: Minor

Implication

Excessive leave balances can have a significant impact on the Shire's future cashflows in an event where the leave entitlements are paid out, as the hourly rate applicable is that at the time of payment rather than at the time the leave accrual originates.

Recommendation

We recommend the Shire:

- Continues to monitor annual leave balances periodically to manage any excessive leave
- Updates its leave policy to ensure it clearly defines that constitutes excessive annual leave, so it's clearly communicated to staff.

Management Comment

A policy has been drafted and will be put to Council. Leave balances are reviewed regularly, a portion of the annual leave accruals is due to long service leave being taken. Therefore, no annual leave used at this time.

Responsible Person: Chief Executive Officer

Completion Date: 31 August 2025

SHIRE OF KELLERBERRIN**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****3. Invoice Value in excess of Purchase Order Value****Finding**

During our review of the Shire's Purchasing Policy (FM 04.06), we observed that the Purchasing Policy does not specifically mention a variance threshold for actual supplier invoices over the relevant purchase order other than where the Shire has entered into a contract with a supplier. Contract variations of 10% specified in the Purchasing Policy is generally used as a guideline for other purchases as well.

We noted 2 instances out of a sample of 25 transactions where the supplier invoice value had exceeded the relevant purchase order value by more than the 10% variance threshold. No documentary evidence was available to demonstrate that the purchase has been approved by an appropriate officer based on the purchasing authority limits assigned to the officers.

Rating: Moderate**Implication**

In the absence of documented variance thresholds for purchases, there is a risk of purchases being made that are significantly higher than the original purchase value resulting in financial losses to the Shire.

Recommendation

The Shire's Purchasing Policy should be amended to include a variance threshold for all purchases in addition to the instances where a contract is entered into with the supplier. Where the actual value of goods and services is going to exceed the purchase order value over the variance parameters specified in the Purchasing Policy due to circumstances not evident at the time of authorising the purchase, approval should be obtained from the appropriate officer prior to sourcing the goods/services. Such approval should be evidenced in writing.

Management Comment

Policy to be amended to include variance wording & variances to be noted on the purchase order.

Responsible Person: Chief Executive Officer and Manager of Governance**Completion Date: 30 August 2025**

SHIRE OF KELLERBERRIN

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4. Monetary value not indicated on the Purchase Order

Finding

During our review of the Purchase Orders, we noted an instance where a purchase order did not state the monetary value of the items being purchased.

Rating: Moderate

Implication

A purchase order is a “contract” that obligates both the Shire and the supplier to the purchasing arrangement. Where the purchase order does not have an amount, the Shire is exposed to committing itself to a transaction that may not provide best value for money to the Shire and also leave an opportunity for fraud.

Recommendation

The Shire should ensure approved purchase orders have full terms and conditions including the agreed purchase price prior to submission to suppliers.

Management Comment

This was one instance, where the expected gravel cartage quantities were unable to be determined at the time of issue. The contractor was a local preferred supplier. Therefore, Council was satisfied with the expected rates and risk associated.

Responsible Person: Manager of Works Services

Completion Date: 30 June 2025

SHIRE OF KELLERBERRIN

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5. Quotations

Finding

The Shire's Purchasing Policy requires 3 written quotations for purchases ranging from \$20,001 to \$50,000 other than when purchasing under a WALGA, PSA, CUA or other tender agreement. We noted 4 instances where the required number of quotations had not been obtained. The reason for the non-compliance was not documented either on the relevant purchase order or any other document as needed by the record keeping requirements of the Purchasing Policy.

This finding was first raised in 2023.

Rating: Moderate (2024: Moderate)

Implication

Non-compliance with the Shire's purchasing policy and also inability to assess if the Shire has achieved the best possible outcome from the selected supplier.

Recommendation

In instances where the required number of quotations as per the Purchasing Policy cannot be obtained, the reason should be clearly stated on the relevant purchase order to facilitate proper approvals and an audit trail.

Management Comment

All four (4) instances had valid and accepted reasons for not meeting the purchasing policy quotation requirements, although it was not noted on the purchase order itself. Purchasing policy comments to be made on Purchase Order going forward.

Responsible Person: Chief Executive Officer, Manager of Governance & Manager of Works Services

Completion Date: 30 June 2025

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6. Sundry Debtors

Finding

We observed that 45% of the sundry debtors' balance amounting to \$74,233.02 as at 6 March 2025 has been outstanding for more than 90 days compared to the credit period of 30 days. This is despite attempts by the Shire to recover them through payment plans etc.

Rating: Moderate

Implication

Long outstanding debtors have an adverse impact on the Shire's liquidity position. In addition, there is an increased risk of non-recoverability leading to financial loss to the Shire.

Recommendation

We recommend the following:

- The credit worthiness of customers seeking services should be checked prior to accepting orders to perform work and once the services are provided, the account receivable officer should ensure the customer meets the payment obligations as required by the Shire's policy.
- For long outstanding debts, the Shire should consider legal action to recover the significant debts.
- The Shire should consider the recoverability of its long outstanding debtors and ensure appropriately provided for where recovery is unlikely to ensure the financial statements are not misstated.

Management Comment

The large percentage of the outstanding debt relates to a small number of debtors who are all under payment plans. As of 9th June 2025, the balance for debtors outstanding by 90 days or more is \$19,937.71 compared to \$74,233.02 on 6th March 2025 which is due to debtors paying as per payment plan which is what they are designed for. Therefore, we believe the processes we have in place are adequate to cover any risk.

Responsible Person: N/A

Completion Date: N/A

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7. Business Continuity and Disaster Recovery Plan

Finding

Shire's Business Continuity and Disaster Recovery Plan has not been reviewed and updated since financial year 2019-20.

This finding was first raised in 2024.

Rating: Moderate (2024: Moderate)

Implication

Absence of an up to date Business Continuity and Disaster Recovery Plan may result in the Shire not having the required procedures in place to enable the effective restoration of key IT systems in the event of a major incident or disruption. This may impact business operations and the delivery of key services.

Recommendation

The Shire should review and update the Business Continuity and Disaster Recovery Plan addressing the following salient points:

- Maximum tolerable data loss that backups can be scheduled and retained to meet recovery point objectives or appropriate physical records are maintained and protected
- Relationship between key business processes and underlying IT systems
- Restoration of network equipment

A schedule should be put in place to ensure regular review and update of the Plan.

Management Comment

Plan under review, with the assistance of contractor.

Responsible Person: Manager of Governance

Completion Date: 30 December 2025

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8. Cyber Security Risks

Finding

We could not be provided with documentary evidence demonstrating the existence of a Cyber-security plan documenting the Shire's preparedness against the ever present and evolving nature of cyber security threats.

This finding was first raised in 2023.

Rating: Moderate (2024: Moderate)

Implication

In the absence of a clear cyber security plan and related policies, the Shire may not be able to identify and mitigate the risks posed by cyber security threats and protect sensitive information and key systems against inappropriate disclosure, loss or misuse.

Recommendation

The Shire should use a structured approach in consultation with its IT consultants (if required) to establish a cyber-security plan and implement related policies to mitigate cyber security risks.

We suggest management refers to OAG's Report #19 dated 29 March 2023 on *Information Systems Audit* for Local Government to seek further guidance on enhancement to their general computer controls.

Management Comment

In development with IT Contractor.

Responsible Person: Manager of Governance

Completion Date: 30 December 2025

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9. User Access Rights

Finding

We noted that there was no formal process to review user access rights and privileges in the system to ensure they are in line with the responsibilities of individual staff member's roles/positions.

This finding was first raised in 2023.

Rating: Moderate (2024: Moderate)

Implication

The lack of a formal process to review user access rights and privileges to the system increases the risk of unauthorised access to the system which could compromise data integrity.

Recommendation

The Shire should establish a formal process to review user access rights periodically to ensure they are in line with individual staff roles and responsibilities.

Management Comment

Formal review process to be established and quarterly review to be performed.

Responsible Person: Manager of Governance

Completion Date: 30 December 2025

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10. Network Use and Unsuccessful Log in Attempts

Finding

We noted that there was no formal process to monitor network use and unsuccessful log in attempts.

This finding was first raised in 2024.

Rating: Moderate (2024: Moderate)

Implication

Early detection of unauthorised access, data breaches and the compromise of sensitive information by external parties or staff within the Shire may not be possible in the absence of regular monitoring of network use and unsuccessful log in attempts.

Recommendation

The Shire should establish a formal process to monitor network use and unsuccessful log in attempts periodically to ensure unauthorised use of the network is detected early and appropriate remedial action is taken.

Management Comment

Current software does not have the capacity for this.

Responsible Person: Manager of Governance

Completion Date: 30 May 2025

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11. General Journals

Finding

We noted an instance where a journal entry did not agree with the relevant supporting documentation provided for our verification. We were advised that this was an error and was subsequently rectified when it was brought to the attention of the Shire.

Rating: Minor

Implication

Inaccurate journal entries can result in incorrectly recorded transactions that may misstate the financial statements.

Recommendation

Journal entries should be carefully checked against the supporting documentation by the preparer of the journal entries as well as the reviewer before they are processed in the system.

Management Comment

On this instance the journal was prepared and on reviewing the journal the error wasn't picked up. This was an honest mistake that occurred.

Responsible Person: Chief Executive Officer

Completion Date: 30 May 2025