

SHIRE OF KELLERBERRIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2024

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	No	✓			
2. Purchase Orders dated after Invoice dates	No		✓		
3. Cancelled Receipts	No		✓		
4. Payroll Reconciliations	No		✓		
5. Business Continuity and Disaster Recovery Plan	No		✓		
6. Purchases Quotations	No		✓		✓
7. Cyber Security Risks	No		✓		✓
8. User Access Rights	No		✓		✓
9. Network Use and Unauthorised Log in Attempts	No		✓		
10. Receipting of goods and services	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).

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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1. Superannuation Guarantee (SG) Contributions

Finding

During our payroll testing, we noted that in 6 instances (from a sample of 10 transactions), there were errors in the SG contributions calculations which we understand arose as a result of bonus payments to the employees concerned being omitted from the calculations in error.

Rating: Significant

Implication

There is a risk of underpayment of superannuation guarantee contributions and non-compliance with associated laws and regulations.

Recommendation

Bonus payments to employees should be included in the calculations of superannuation guarantee contributions in accordance with SG rules. The calculations should be reviewed by an independent senior officer to confirm their accuracy and completeness.

Management Comment

This has been rectified through the payroll system.

Responsible Person: *Payroll Officer and MOG*

Completion Date: *30/05/2024*

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2. Purchase Orders dated after invoice dates

Finding

During our sample testing of expenditure payments made throughout the year, we identified 2 instances out of our sample of 24 transactions, where the authorised purchase orders were dated after dates of the corresponding supplier invoices. We understand from management that this was due an oversight on the part of the staff responsible for ordering the services.

Rating: Moderate

Implication

Purchases of goods or services without a valid purchase order prior to the purchase increases the risk of unapproved purchases being made.

Recommendation

Purchase orders should be approved for all applicable items prior to ordering. Where required, the Shire's Procurement Policy should be amended to incorporate the importance of raising a valid purchase order prior to ordering goods and services.

Management Comment

Noted, officer error and process will be followed.

Responsible Person: *Finance Officer & MOG*

Completion Date: *30/05/2024*

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3. Cancelled Receipts

Finding

During our testing of internal controls around the process of cancelling receipts, we noted that cancelled receipts done by the Cashier and those done through Synergy Soft are not reviewed and authorised by an independent officer.

Rating: Moderate

Implication

The lack of independent review increases the risk of erroneous or fraudulent cancellation of receipts and misappropriation of funds going undetected.

Recommendation

A senior officer independent of the receipting process should review the listing of cancelled receipts periodically to confirm their validity. Evidence of this review should be retained.

- In addition, we also recommend that the date of adoption and the date of last review should be indicated on the documented procedure for cancelled receipts so that the procedure is tracked for regular updates and ongoing pertinence.

Management Comment

Process implemented for counter signing of cancelled receipts.

Responsible Person: *MOG*

Completion Date: *30/05/2024*

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4. Payroll Reconciliations

Finding

There was no documentary evidence to indicate that fortnightly payroll reconciliations for 4 pay periods out of a sample of 20 pay periods were reviewed by a senior officer independent of the payroll function. In addition, the payroll reconciliation for 1 pay period was not available for our examination and we understand that the staff responsible for the payroll reconciliations had missed it due to an oversight.

Rating: Moderate

Implication

In the absence of an independent review of the payroll reconciliation, errors or frauds may not be detected in a timely manner.

Recommendation

Fortnightly payroll reconciliations should be reviewed by an independent senior officer in a timely manner, evidence of which should be documented and retained.

Management Comment

Officer oversight, process implemented and followed.

Responsible Person: Payroll Officer & MOG

Completion Date: 30/05/2024

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5. 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.

Rating: 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 in development with the assistance of IT Contractor.

Responsible Person: *MOG*

Completion Date: *30/12/2024*

SHIRE OF KELLERBERRIN**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2024****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****6. Purchases Quotations****Finding**

We noted that in 16 out of the 24 (2023: 5 out of 24) expenditure transactions we tested, the number of quotations obtained and the basis of selection of the successful supplier were not indicated on the relevant purchase order or on the quotation evaluation report. However, on enquiry the Shire was able to produce the relevant quotations and documentation in support of the selection criteria for the transactions in question.

Rating: Moderate (2023: Moderate)**Implication**

In the absence of adequate documentation to support the basis of selection of the successful supplier, we are not in a position to determine if the successful supplier has been selected in accordance with the requirements of its purchasing policy.

Recommendation

Quotations should be obtained by the Shire in line with the requirements of the Shire's purchasing policy and the basis of selection of the successful supplier should be clearly stated on the relevant purchase order or quotation evaluation report to facilitate an independent evaluation of the selection process. In cases where the Shire is unable to obtain the required number of quotations, this should be stated alongside the selection criteria.

Management Comment

Although the quotations were not noted on the Purchase Order, the quotes and evidence were available on request. Further notations will be made going forward for clarity, although the organisation has followed procurement policy and procedure.

Responsible Person: *CEO, MWS & MOG***Completion Date:** *30/05/2024*

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7. 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.

Rating: Moderate (2023: 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: *MOG*

Completion Date: *30/12/2024*

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8. 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.

Rating: Moderate (2023: 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 alongside IT Contractor.

Responsible Person: *MOG*

Completion Date: *30/12/2024*

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9. 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.

Rating: 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

Further capability to be investigated by IT Contractor.

Responsible Person: *MOG*

Completion Date: *30/12/2024*

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10. Receipting of goods and services

Finding

During our audit of expenditure transactions, we noted that in 18 out of 24 purchasing transactions tested, the same staff who authorised the purchase order also receipted goods/services, and authorised the related supplier invoices. We were informed by management that an independent officer authorises payment by signing on the purchase order as “ready for payment” and this signing is done after checking that the good/services have been received. However, we note that there is no explicit statement on the purchase order or on the Shire’s purchasing policy to the effect that the “ready for payment” signing on the purchase order is also confirming receipt of the goods/services.

Rating: Minor

Implication

In the absence of a documented procedure requiring a check on receipting of goods/services by the authorising officer, there is an increased risk of this procedure not being performed which can result in fraud or error occurring without detection.

Recommendation

The Shire should consider updating its purchasing policy to include an explicit requirement for the “ready for payment” authoriser of the purchase order to check correct receipting of the goods/services.

Management Comment

A procedure to document this control has been created subsequently to the finding.

Responsible Person: *CEO*

Completion Date: *07/06/2024*