



Report on Significant Matters for the financial year ended 30 June 2022

Report per Section 7.12A(4)(a) of the Local Government Act 1995

The Audit of the Shire of Wyalkatchem for the Financial Year ending 30 June 2022 resulted in the findings of 2 Significant Matters and 1 significant matter outstanding from the prior year's audit.

Finding 1 Journal Entries are not independently approved.

If journals are not independently reviewed and approved, there is a risk that erroneous or fraudulent journal entries may pass undetected. Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be appropriately reviewed and approved.

All general journal entries should be reviewed by an independent senior officer before they are processed and evidence of authorisation is retained.

Management Comment

Journals are now prepared, and then reviewed by an independent employee/person or consultant.

Finding 2 Changes to supplier Master Files

From December 2021, there is no evidence retained to demonstrate whether changes to payroll and supplier details, including bank account details, are being authorised by an officer other than the person making the amendment.

We however acknowledge that our testing to validate suppliers' information in the system did not identify any discrepancies.

There is an increased risk that unauthorised changes may be made resulting in errors or funds being inappropriately transferred and recommend that changes to the supplier master file should be independently reviewed.

The Shire will prepare a process for changes to master file data and include a review of all Master File changes as part of its end of month processes.

Management Comment

The Shire will prepare a process for changes to master file data and include a review of all Master File changes as part of its end of month processes.

Outstanding from previous year Finding 9 Lack of segregation of duties

Status in 2022

We noted 3 out of 30 purchase transactions, where the same staff issued and approved the purchase orders and authorised related supplier invoices.

Finding in 2021

We noted 18 out of 38 purchase transactions, where the same staff issued and approved the purchase orders and authorised related supplier invoices. In addition, there were no evidence on the invoices indicating who received the goods/services.

Lack of segregation of duties increases the risk of unauthorised purchases occurring without detection, resulting in financial loss to the Shire.

Management should review these 3 transactions and other similar transactions to ensure their validity. Also, management should implement appropriate segregation of duties, particularly between authorisation of purchase order and approving relevant supplier invoices.

Management Comment

The Shire will review its current processes to ensure an appropriate segregation of duties, recognising recent challenges with staff changeover and unfilled positions.

Responsible Persons: Manager Corporate Services/CEO/Works Manager

Completion Date: In progress