



Report on Significant Matters for the financial year ended 30 June 2020

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 2020 resulted in the findings of 5 Significant Matters.

Finding 1 Asset Management Plan and Long Term Financial Plan

The Shire is currently in the process of developing an Asset Management Plan. Also, the Shire's Long Term Financial Plan covering a 10-year period was last updated in 2016.

This may impact the Shire's strategic planning process and is likely to result in misstatement of the asset renewal funding ratio in the financial report.

We recommend the Asset Management Plan and the Long Term Financial Plan are prepared, reviewed and updated annually to ensure 10 year projections are available as required by the regulations, to calculate the asset renewal funding ratio.

Management Comment

Staff cannot locate a current Asset Management Plan. There was a Long Term Financial Plan adopted in June 2016 but has not been annually reviewed. Staff are currently working on a LTFP and intend to have both plans completed by the end of June 2021.

The following actions have been taken, or are intended to be taken, to address the findings of the Asset Management Plan and the Long Term Financial Plan.

- Long Term Financial Plan currently being prepared by the staff with assistance from a consultant.
- Quotes being sort for the preparation of a Asset Management Plan.
- Both plans are to be received by Council by the 30 June 2021.

Finding 2 Journals not independently approved

We found that the journal entries posted by the former CEO were also reviewed by her, without independent review by a second officer.

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

We recommend that all journal entries should be appropriately approved, and evidence of authorisation is retained

Management Comment

Upon commencement with the Shire in July 2020, Manager Corporate Services noted this significant risk and all journals since this time (since the former CEO's departure) have been prepared, and then reviewed by an independent employee/person. A procedure is in place that provides essential review to be undertaken for all general journals.

The following actions have been taken, or are intended to be taken, to address the findings of the Journals not being independently approved.

- Journals have a cover page with a dedicated date and signature section for the approver and reviewer to sign.
- All Journals are reviewed by another senior staff member.

Finding 3 Unrestricted access to the financial system

Based on our review of user access levels in the financial management system, we noted the external consultants, Manager of Corporate Services (MCS) and the Acting CEO have super user access, which appears to be excessive.

Excessive super user access to the financial system may allow staff to use the system inappropriately. For example, this access could be used to undermine the effectiveness of system controls (such as segregation of duties) and diminish accountability

We recommend user rights to be reviewed and updated to ensure appropriate segregation of duties are in place without preventing tasks being completed effectively and efficiently

The following actions have been taken, or are intended to be taken, to address the findings of Unrestricted access to the financial system.

Management Comment

The external consultants were contracted by the former Acting CEO to provide assistance with financial reporting to complete the YE 30 June 2020 and prepare the budget for 2021 when the Shire had no staff to complete these tasks and statutory obligations.

This was essential during the time between the departure of the prior CEO (late June 2020), the appointment of a new MCS/Finance Manager (August 2020) and finally the new CEO in November 2020. The external consultants' services and access to the site is unlikely to be required after finalisation of audit and will be removed.

It is not normal for a Shire of our size to require this amount of super users, however the circumstances experienced by the Shire during June – Nov 2020 have been abnormal.

The Shire will adjust super users to only the Manager of Corporate Services.

The following actions have been taken, or are intended to be taken, to address the findings of Unrestricted access to the financial system.

- Super users have been revised and only the Manager of Corporate Services is now a super user.

Finding 4 Unrestricted access to supplier Master Files

We noted a large number of users with access rights to change/update supplier and employee master files which is inappropriate

Full access to the supplier/employee master files creates a risk of unauthorised changes being made resulting in errors or funds being inappropriately transferred

We recommend system access privileges to the master file should be reviewed to ensure only appropriate, approved staff members have access

Management Comment

When a change occurs to the creditor file an email goes to the CEO to warn that a user has altered the data. Since commencement of the MCS, a monthly audit report is run on the payroll system to check any alterations to the payroll system. Once again it is stated that the Shire has been running under extremely tight staffing and the changes being made to the Super-Users will help address this finding.

The following actions have been taken, or are intended to be taken, to address the findings of Unrestricted access to supplier Master Files.

- Super user access only available to Manager of Corporate Services
- New procedures produced for the process of altering creditors details in the system
- Monthly audit trail report to be ran for Payroll and Creditors master files

Finding 5 Key Management Personnel Declarations

We note the annual declaration process was incomplete as the Shire could not obtain the declarations from the former CEO and a former Councillor.

There is increased risk that disclosure of related party transactions for key management personnel are omitted.

It is recommended that in future, all declarations are returned. If any person completing a declaration is not comfortable providing certain information, they should still complete the declaration to the extend they can, noting where they do not wish to complete a question.

Management Comment

The former Councillor and the former CEO left prior to filling in a Related party's discloser. From the Council's December meeting, MCS will ensure that related party Disclosures are added to the Corporate Calendar for completion by relevant persons meeting.

The following actions have been taken, or are intended to be taken, to address the findings of Key Management Personnel Declarations.

- Add into the Compliance Calendar for June 2021 that the Related Party Returns be given to Elected Members and Key Staff.
- Send out Outlook reminders to all persons required to return a Related Party Disclosure for the 31 July 2021.

