

SHIRE OF DOWERIN

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. Journal entries	No		✓		✓
2. Key account reconciliations	No		✓		✓
3. Outdated policies	No		✓		✓
4. Cancelled receipts	No		✓		✓
5. Amendments to Supplier and Payroll Masterfile	No		✓		✓
6. Bank reconciliations	No		✓		NA
7. Quotations	No		✓		NA
8. Long outstanding receivables	No		✓		NA
9. Corporate credit cards	No		✓		NA
10. Superannuation Guarantee contributions and PAYG Deductions	No		✓		NA
11. Pensioner rebates	No			✓	NA
12. Rental income	No		✓		NA
13. Tender Register	No		✓		NA

SHIRE OF DOWERIN**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****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 report, 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.

SHIRE OF DOWERIN

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FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Journal entries

Finding

We were unable to ascertain if the journal entry was reviewed and approved by an appropriate officer in respect of five transactions out of a total of 14 samples tested due to inadequate documentation provided to us.

This finding was reported in 2023 and 2024.

Rating: Moderate (2024: Moderate)

Implication

In the absence of appropriate documentary evidence to indicate that journal entries have been approved by an independent senior officer, it is difficult to establish the accuracy and the authenticity of the journal entry.

Recommendation

All general journals should independently be reviewed and authorised by an appropriate officer and evidence of preparation and review should be retained.

Management comment

Management has put in place a system to enhance the reviewing of journals to ensure all journals are independently reviewed by a senior officer prior to posting. This is by maintaining a General Journal register.

Responsible person: Manager of Corporate Services
Completion date: 1 July 2025

SHIRE OF DOWERIN**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****2. Key account reconciliations****Finding**

We performed a review of key accounts reconciliations during our interim audit and noted the following issues:

- Monthly investment reconciliations were not dated by the preparer and there was no evidence of an independent review.
- Monthly creditor reconciliations have not been prepared during the first half of the financial year.
- Monthly payroll reconciliations have not been prepared since July 2024.

This finding was reported in 2023 and 2024.

Rating: Moderate (2024: Moderate)

Implication

Frauds, errors or omissions may not be detected in a timely manner if the reconciliations are not prepared and reviewed by an officer independent of the preparer in a timely manner. This could also lead to misstatements in the financial statements.

Recommendation

The Shire should arrange for the above reconciliations to be prepared and reviewed by an independent officer. The review should be documented indicating date of review.

Management comment

Monthly investment reconciliations were usually reviewed at the preparation of monthly Management reporting. However, measures are being taken to ensure all reconciliations are independently reviewed and dated.

Monthly Creditors reconciliations are now prepared. Management has taken measures to have all monthly reconciliations are prepared and completed in a timely manner.

Due to system errors, payroll reconciliations in SynergySoft have not been completed.

Management is working with IT consultants to correct the errors. Management is working to have all outstanding reconciliations to be prepared and reviewed by independent officer.

Responsible person: Manager of Corporate Services

Completion date: 30 August 2025

SHIRE OF DOWERIN**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****3. Outdated policies****Finding**

We noted that the Shire's Credit Card Policy and IT Security Policy have not been reviewed and updated since April 2021 and September 2021 respectively.

Rating: Moderate (2024: Moderate)

Implication

Lack of up-to-date policies may result in the management not making decisions that are in the best interest of the Shire and to comply with latest regulations and/or best practice.

Recommendation

The Shire should develop a policy on policy review frequency and update its policies periodically in order to ensure their currency and relevance.

Management comment

Review of Shire policies are under review. The Credit Card policy is one of the policies to be reviewed and update in coming months.

Responsible person: Manager of Corporate Services
Completion date: 30 August 2025

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4. Cancelled receipts

Finding

We noted that the Shire currently does not have a formal process to review and approve cancelled receipts by an officer independent of the receipting function.

This finding was reported in 2023 and 2024.

Rating: Moderate (2024: Moderate)

Implication

Errors and/or frauds in the receipting function may not be detected in the absence of a review by an independent officer.

Recommendation

The Shire should introduce a formal process for an officer independent of the receipting function to review cancelled receipts.

Management comment

Management will work towards implementing a new process to independently review and approve cancelled receipts.

Responsible person: Manager of Corporate Services
Completion date: 30 August 2025

SHIRE OF DOWERIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

5. Amendments to Supplier and Payroll Masterfiles

Finding

There was no evidence to demonstrate that amendments to Supplier and Payroll Masterfiles are reviewed by an officer independent of the officer making the amendments.

This finding was reported in 2023 and 2024.

Rating: Moderate (2024: Moderate)

Implication

In the absence of an independent review, there is an increased risk that unauthorised changes may be made resulting in errors or funds being inappropriately used.

Recommendation

The Shire should generate a report on amendments to Supplier and Payroll Masterfile from the system and perform an independent review of the changes to the Masterfiles regularly and evidence of review should be retained.

Management comment

Management takes note of the recommendation and will implement a system of Supplier and Payroll Masterfile amendments through an audit trail process to ensure only authorised amendments are authorised. Independent reviews and regular reports are maintained.

Responsible person: Manager of Corporate Services
Completion date: 30 August 2025

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6. Bank reconciliations

Finding

We noted that the payroll payments made in July 2024 and September 2024 amounting to \$41.7K and \$47.6K respectively have not been captured in the general ledger. Hence, shown as reconciling items in the April 2025 monthly bank reconciliation.

Rating: Moderate

Implication

Payroll expenses are understated in the monthly management accounts.

Recommendation

The Shire should in consultation with its IT consultants investigate the reasons for this anomaly and take remedial action at the earliest.

Management comment

This issue has been identified and is related to the accounting system. Service ticket has been raised with the with Readytech for resolution. Management is actively working on resolving this matter with urgency. This is related to the No2 item of the findings above.

Responsible person: Manager of Corporate Services/Payroll Officer

Completion date: 30 September 2025

SHIRE OF DOWERIN**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****7. Quotations****Finding**

We noted that the Shire does not have a formal quotation evaluation form in use. We also noted the following instances:

- In two out of 24 transactions tested, the lowest quotation has not been selected but no formal explanation was documented in justification of the selection of another supplier.
- In four out of 24 transactions tested, the required number of quotations were not obtained as required by the Shire's purchasing policy and the reasons for the non-compliance with the policy requirements were not documented.

Rating: Moderate

Implication

Inability to ascertain if the Shire has obtained the best value for money for its goods/services in the absence of proper documentation relating to selection of suppliers.

Recommendation

The Shire should implement a formal quotation evaluation form and require documentation for deviations from purchasing policy. This will help ensure consistent compliance and justified supplier selection.

Management comment

The suppliers are WALGA Preferred Suppliers and are capable of delivering the required scope of work within the specified timeframe. After evaluating all available options, we determined that these two providers are best positioned to deliver the quality of work we require. While price is an important factor, it is not the sole consideration—value and quality remain our priorities.

Management has endeavoured to obtain three quotations as per Purchasing policy, however, not all suppliers have responded to the Shire's Requests for Quotation, hence decisions to award without the required number of quotations. Management acknowledges, the need to adequately document the full reasons for none-compliance to the Purchasing policy.

Notwithstanding the above, Management takes note of the auditor's recommendations to the above findings and will implement detailed documentation in future tenders to support the rationale for non-policy requirement fulfilment and selection of winning tender for reference and audit purposes.

Responsible person: Manager of Infrastructure and Projects
Completion date: 30 August 2025

SHIRE OF DOWERIN

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8. Long outstanding receivables

Finding

During our review of non-pensioner rate debtor's ageing statement at 7 April 2025, we noted that \$36,271 which is 33% of the total debt has been outstanding since the previous financial year.

Rating: Moderate

Implication

Shire's cash flow position may be adversely affected and result in difficulties in meeting its payment obligations.

Recommendation

The Shire should follow up long outstanding debts and ensure rate payers make payments as agreed with the Shire.

Management comment

The Shire has put in place both internal and external debt recovery mechanisms. Where the Shire can not recover using own resources, external debt collectors are engaged. Management is in the process of engaging new external debt collectors with contemporary efficiencies.

Responsible person: Manager of Corporate Services.

Completion date: 30 August 2025

SHIRE OF DOWERIN

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9. Corporate credit cards

Finding

We noted that there is no formal signed agreement between the cardholders and the Shire.

Rating: Moderate

Implication

In the absence of signed credit card agreements, there is a risk that cardholders have not reviewed the guidelines and accepted their responsibilities for the cards issued to them.

Recommendation

Formal credit card agreements should be signed by cardholders and retained.

Management comment

Management acknowledges this gap and formal agreements between cardholders and the Shire have been signed

Responsible person: Manager of Corporate Services
Completion date: 3 July 2025

SHIRE OF DOWERIN**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****10. Superannuation Guarantee (SG) contributions and PAYG deductions****Finding**

We noted the following:

- In one instance out of a sample of eight payroll calculations, the SG contribution was incorrectly calculated. The rate used was 11% instead of 11.5% which is applicable for this year.
- In two out of the above sample, the PAYG deduction was calculated incorrectly, not based on the PAYG tables.
- The Shire was unable to produce documentation in support of certain deductions made from the employee's gross remuneration relating to the same sample, such as rental deductions and salary sacrifice.

Rating: Moderate

Implication

- Underpayment of SG contribution
- Over deduction of PAYG
- Inability to ascertain if the deductions made are accurate.

Recommendation

The payroll officer should ensure that SG contributions and PAYG deductions are correct before the payroll is processed and the officer who reviews the calculations should also take the responsibility to ensure that payroll calculations are accurate.

The Shire should ensure that all deductions from employee's remuneration are supported by adequate documentation.

Management comment

System processing errors identified and have since been corrected. Shire will ensure stringent review systems are implemented.

Responsible person: Payroll Officer

Completion date: 18 June 2025

SHIRE OF DOWERIN

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11. Pensioner rebates

Finding

During our testing of pensioner rebates we noted an instance out of a sample of six Rate Notices where the pensioner rebate had been overstated due to an error in the calculation.

Rating: Minor

Implication

Loss of revenue to the Shire as a result of the error.

Recommendation

Pensioner rebates should be calculated correctly by the rates officer and the officer reviewing the Rate Notices should ensure that the rebates are calculated correctly before issuing the Rate Notices to the rate payers.

Management comment

To obtain the Pension Rebate a person must own and reside in the property from 1 July each year. Note that the rebate is calculated on pro-rata basis and is automatically updated by the system. This has been corrected and updated.

Management will implement stringent review processes to eliminate such errors.

Responsible person: Rates Officer
Completion date: 30 June 2025

SHIRE OF DOWERIN**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****12. Rental income****Finding**

We noted that rental was charged from staff members who occupy staff quarters using the 2022-23 fees and charges rates instead of 2024-25 rates.

Rating: Moderate

Implication

Under recovery of rental income, resulting in lost revenue to the Shire.

Recommendation

The rental should be charged based on the approved 2024-25 fees and charges rates and the possibility of recovering the rental under charged should be considered.

Management comment

New Fees and charges applicable to the period were not updated in the system after adoption. Updated fees and charges to be applied. Management making rigorous checks and reviews to ensure accuracy in future.

Responsible person: Accounts Receivables

Completion date: 1 July 2025

SHIRE OF DOWERIN

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13. Tender Register

Finding

Regulation 17. 2 (f) of the *Local Government (Functions and General) Regulation 1996* requires the name of the successful tenderer to be included in the Tender Register. However, it was noted that the Shire did not indicate the successful tenderer in the Tender Register in respect of the tender that was awarded during the financial year.

Rating: Moderate

Implication

Non-compliance with the requirement of Regulation 17.2 (f) of the *Local Government (Functions and General) Regulation 1996*.

Recommendation

The Shire should indicate the successful tenderer in the Tender Register when tenders are awarded in order to be compliant with the Regulation.

Management comment

Tender Register will be updated accordingly to reflect the auditor recommendation.

Responsible person: Manager of Infrastructure and Projects

Completion date: 30 August 2025