

SHIRE OF MOORA

PERIOD OF AUDIT: YEAR ENDED 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. Rates Revenue	No	✓			
2. Acquisition of Tennis Club Assets	Yes – emphasis of matter	✓			
3. Revenue on capital project	Yes - financial	✓			
4. Excessive Superuser Access	No	✓			
5. Supplier Masterfile Changes	No		✓		✓
6. Outdated Delegation Register	No			✓	✓
7. Excess annual leave	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.

SHIRE OF MOORA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Rates Revenue

Finding

We noted that rate assessment notices for properties in the category of Unimproved Value – Rural were issued at a rate in the dollar lower than the rate adopted by Council on 16 August 2023 per resolution 69/23(2).

This resulted in rates revenue shortfall of \$801,436 in comparison to the approved budget.

The Shire had performed a budget review based on the financial performance from 1 July 2023 to 31 January 2024 and decreased budgeted rates from \$5,628,205 to \$4,845,843, thereby reducing the budget to align receipts with actual rates billed.

Rating: Significant

Implication

The rates raised for properties in the category of Unimproved Value – Rural was not raised in accordance with Local Government Act 1995 S6.32 as the Council approved rate in the dollar was not used.

Recommendation

The Shire should seek and obtain legal advice to determine the required actions to correct the non-compliance with legislation.

Management comment

The Shire has engaged Civil Legal to prepare and submit a set of facts to the Minister for Local Government wherein the Minister will be asked to quash the rates adopted by resolution 69/23(2) and replaced those rates as ordered or approved by the Minister.

Responsible person: Chief Executive Officer

Completion date: 6 August 2024

SHIRE OF MOORA**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****2. Acquisition of the tennis club land and associated assets****Finding**

We noted that on 29 November 2022 a Deed of Agreement was executed between the Moora District Tennis Club Inc. ("Tennis Club") and the Shire where the Tennis Club sold the land at the Tennis Club to the Shire in exchange for the Shire's support for its operations as a tennis club and the discharge of the outstanding funds of \$40,935.28 owed by the Tennis Club to the Shire as at 12 August 2021.

The Shire agreed that following settlement of the land, the Tennis Club is entitled to continue their activities and fixtures on the land as usual on a licence to occupy basis and that the Tennis club shall have exclusive use of the club house office.

The Shire agreed that the annual fee of \$750 payable by the Tennis Club to the Shire shall be extinguished on and from settlement of the land.

The land was transferred to the Shire on 28 June 2023 however no assets were recognised in the Shire's financial records on this date.

In March 2024 management obtained an independent valuation to determine the fair value of the Tennis Club assets excluding the land which equates to \$1,091,500. The fair value of the land has not been determined.

Rating: Significant**Implication**

The Shire has not recognised the fair value of assets acquired at the time of acquisition being 28 June 2023 resulting in the understatement of assets for the financial year ended 30 June 2023.

Recommendation

Management should recognise the assets as per the agreement at fair value at the date of acquisition and restate the comparatives in the financial statements to comply with *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*.

Management comment

It is noted that this matter has not been identified in previous audits. The Shire has addressed the issue with RSM (our financial provider), who will adjust the statements with the end-of-year financials to ensure compliance with AASB 108. The fair value of the land is being determined and related material should be provided before final audit.

Responsible person: Chief Executive Officer**Completion date: 6 August 2024**

SHIRE OF MOORA**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****3. Revenue on Capital Project****Finding**

The Shire recognised an invoice of \$919,152 ex GST on 1 July 2023 relating to the Koojan West Road Downs Project. As at 30 April 2024, \$223,475 was recognised as revenue and \$695,677 was recognised as a contract liability.

The Chief Executive Officer's latest assessment was that the expected final amount to be recovered on the project is estimated to be \$394,678.

In accordance with AASB 15 Revenue from Contracts with Customers, the Shire should evaluate whether collectability of an amount of consideration is probable and shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

The invoice was therefore issued incorrectly and revenue and contract liability were not correctly recognised.

Rating: Significant**Implication**

Revenue and Contract Liability relating to this project were misstated for the current financial year.

Recommendation

Management should amend the accounting records and related invoice to recognise the correct amount to be recovered on the project.

Management comment

The Shire has submitted the estimated contract liability to Harvest Road Group for reconciliation. The Shire will amend the accounting treatment of these transactions when the Board of the Harvest Road Group confirms the reconciliation. Harvest Road is expected to provide this confirmation in the coming weeks.

Responsible person: Chief Executive Officer**Completion date: 6 August 2024**

SHIRE OF MOORA**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****4. Excessive Superuser Access and unauthorised user access****Finding**

The Shire has excessively granted superuser access to many users. Of 14 users, 9 have superuser access in Synergy, which poses a significant risk of unauthorised access and potential security breaches.

This finding was first raised in 2022-23.

We also noted that a contractor with superuser access is still an active user in Synergy when the contractor no longer works for the Shire.

Rating: Significant (2023: Significant)

Implication

This wide distribution of superuser privileges increases the likelihood of sensitive information being accessed or manipulated by individuals who may not require such elevated permissions for their regular tasks.

When system access of terminated contractor/staff is not disabled upon termination, it increases the risk of sensitive information being accessed or manipulated inappropriately.

Recommendation

Access to superuser privileges should be strictly based on a "need-to-know" basis. The Shire should conduct a thorough access review and re-evaluate the necessity of superuser privileges for each mentioned role. This process will help minimise the risk of unauthorised access and enhance the security posture of the Shire's systems and sensitive data.

The Shire should review contractor or staff termination process to ensure that when they no longer work for the Shire their user access should be disabled with immediate effect.

Management comment

The Shire has re-evaluated superuser privileges and updated the list of superusers to align with current user responsibilities. System access of previous contractors and former staff have been deactivated.

Responsible person: Manager Corporate Services

Completion date: 6 August 2024

SHIRE OF MOORA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

5. Supplier Master File

Finding

We noted that changes to supplier information made in the system is not reviewed by an independent person to ensure that all changes made are supported by verified documents.

This finding was first raised in 2021-22.

Rating: Moderate (2023: Moderate)

Implication

There is an increased risk that unauthorised changes may be made resulting in errors or funds being inappropriately transferred.

Recommendation

Management should implement the control of the independent review of audit trail reports that log changes to supplier information to ensure that all changes made are supported with verified documents.

Management comment

The Shire is implementing a control to review and assess the supplier master file's audit trail. With the position of Manager, Financial Services now filled, our internal financial procedures will be reviewed and updated to mitigate the risk of unauthorised changes or the inappropriate transfer of confidential information from the Supplier Master File.

Responsible person: Manager Financial Services

Completion date: 6 August 2024

SHIRE OF MOORA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

6. Outdated Delegation Register

Finding

Our examination revealed an outdated Local Government Authority (LGA) Delegation Register which expired on 30 June 2022, indicating potential lapses in governance. Failure to maintain an updated register may lead to non-compliance with regulatory requirements and compromise the effectiveness of delegated authorities.

This finding was first raised in 2023.

Rating: Minor (2023: Minor)

Implication

An outdated LGA Delegation Register poses risks of improper decision-making and regulatory non-compliance. Timely updates are essential to align with current mandates and maintain transparency in delegation processes.

Recommendation

Regularly review and update the Local Government Authority (LGA) Delegation Register to ensure accuracy and compliance.

Management comment

The Local Government Authority (LGA) Delegation Register is under review. The appointment of the Manager Financial Services will have a considerable impact on Shire delegations to various officers. This review will be completed in the next two to three weeks.

Responsible person: Chief Executive Officer

Completion date: 6 August 2024

SHIRE OF MOORA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

7. Excessive annual leave

Finding

We identified 10 employees who have an annual leave accrued balance in excess of 300 hours as at 30 April 2024.

We note management have processes in place to identify and monitor staff that have accrued excessive annual leave balances and have taken appropriate action.

The finding was first raised in 2019-20.

Rating: Minor (2023: Minor)

Implication

Excessive accrued annual leave balances increase the risk of an adverse impact through excessive financial liabilities and may also indicate over-reliance on key individuals. As well as managing leave liabilities, it is important for staff to take regular leave for their health and wellbeing, and to develop staff to perform the tasks of others. In addition, fraud can be more easily concealed by staff who do not take leave.

Recommendation

The Shire should continue to monitor and manage excessive leave balances to reduce the financial liability, risk of business interruption and fraud.

Management comment

The Shire has been proactive in managing and significantly reducing leave balances over the past year, and this effort is ongoing. The Shire is confident that employees with large, accumulated leave balances understand the importance of prioritising the reduction of their leave accruals. However, this issue is complicated by the recruitment challenges the Shire faces and the need to manage its work programs effectively.

Responsible person: Manager Corporate Services

Completion date: 6 August 2024