



SHIRE OF JERRAMUNGUP

MEETING OF THE AUDIT COMMITTEE

To the President and Councillors,

Please be advised that a Meeting of the Audit Committee of the Shire of Jerramungup is to be held on

Wednesday, 26 July 2023
At the Council Chambers,
Jerramungup
Commencing at 9:00am

Martin Cuthbert
CHIEF EXECUTIVE OFFICER
18 July 2023

AGENDA

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Shire of Jerramungup
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Meeting of the Audit Committee
Wednesday 26 July 2023

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MEETING OF THE AUDIT COMMITTEE AGENDA

1.0 DECLARATION OF OPENING, ANNOUNCEMENT OF VISITORS

The meeting was opened atam by the Presiding Member.

2.0 RECORD OF ATTENDANCE

2.1 ATTENDANCE

ELECTED MEMBERS:

STAFF:

VISITORS:

GALLERY:

2.2 APOLOGIES

2.3 APPROVED LEAVE OF ABSENCE

Cr Andrew Price

Cr Neil Foreman

3.0 PUBLIC TIME

3.1 PUBLIC QUESTION TIME

3.2 PETITIONS, DEPUTATIONS, PRESENTATIONS AND SUBMISSIONS

4.0 CONFIRMATION OF MINUTES OF PREVIOUS MEETINGS

Meeting of the Audit Committee held 22 March 2023.

That the Minutes of the Meeting of the Audit Committee held 22 March 2023 be CONFIRMED.

5.0 REPORTS

5.1 INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2023

Location/Address:	N/A
Name of Applicant:	N/A
File Reference:	
Author:	Tamara Pike, Senior Finance Officer
Responsible Officer:	Martin Cuthbert, Chief Executive Officer
Disclosure of any Interest:	Nil
Date of Report:	17 July 2023
Attachments:	a) Office of the Auditor General – Interim Audit Management Letter b) Office of the Auditor General – Interim Audit Findings
Authority/Discretion:	Legislative

SUMMARY:

For the Audit Committee to accept the Interim Audit Findings for the year ended 30 June 2023.

BACKGROUND:

The Committee's duties and responsibilities in relation to the Interim Audit Findings are to consider and recommend acceptance of the findings identified during the interim audit. The focus of the interim audit was to evaluate the organisation's overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls.

The audit this year was undertaken by Lincolns Accountants and Business Advisors under direction of the Office of the Auditor General.

CONSULTATION:

Senior Staff

Lincolns Accountants and Business Advisors

Office of the Auditor General

COMMENT:

The following findings were highlighted by Lincolns Accountants and Business Advisors in the Interim Audit Findings for the year ended 30 June 2023:

General IT Controls – User Access & Permission Levels

Finding

A contractor to the Shire was provided access to Synergy, with access permissions not required for their role.

Rating: Moderate

Implication

Users with access in Synergy to functions that are not required as part of their role increase the risk of errors being entered, transactions or systems being changed or altered and fraud occurring.

Recommendation

All users and individual access levels in Synergy should be reviewed to ensure that users can only access components of the system that are required for them to perform their roles.

Management Comment

Management is seeking advice from our current IT provider to ensure a review is conducted on an annual basis of Synergy user access permissions. Management to introduce a procedure in consultation with their IT provider to ensure new Staff or Contractors added to our IT system have the appropriate access permissions in Synergy.

Timesheet Works Costing Posting Errors**Finding**

During testing of payroll procedures there were two instances from thirty tested where errors were made in the posting of work costings to the general ledger. In one instance there was a duplication error of seven (7) hours of machinery overheads in the plant allocation and the other instance was misallocation of employee hours recorded against the wrong general ledger account.

Rating: Minor**Implication**

Without review of work and project costings to the general ledger, including labour and machine hours to correct jobs and general ledger accounts, errors will result and may remain undetected. This may result in potential over or understatements of assets and/or expenditures.

Recommendation

The Shire should review work and project costings and reconcile these to the general ledger to ensure they are valid and appropriate. This review should be evidenced by the appropriate employee supervisor.

Management comment

Consider a procedure to review work and project costings to the general ledger. Payroll Officer to double check that the code entered into Synergy is matched to the employees' timecard.

Payroll Error – Calculation of Loading**Finding**

During testing of payroll procedures there was one instance of errors in system setup resulting in an incorrect percentage of casual loading being paid to an employee in a pay run.

Rating: Minor**Implication**

Errors in system generated pay roll items can lead to employees being paid more or less than the amounts they are due.

Recommendation

All system generated amounts for payroll data should be reviewed prior to posting of pay runs to confirm correct calculations.

Management comment

Management has in place a fortnightly spreadsheet that is used to double check superannuation and other allowances against the payroll reports during the fortnightly payroll process. Management has now introduced an additional column on the spreadsheet to double check casual loading against payroll reports. This spreadsheet is checked by the Payroll Officer and the Manager signing off on payroll. This is filed with the payroll documents/reports at the end of the pay run.

STATUTORY ENVIRONMENT:***Local Government Act 1995******Division 3 – Reporting on activities and finance******6.4. Financial report***

- (1) *A local government is to prepare an annual report for the preceding financial year and such other financial reports as are prescribed.*
- (2) *The financial report is to*
 - (a) *be prepared and presented in the manner and form prescribed; and*
 - (b) *contain the prescribed information.*
- (3) *By 30 September following each financial year or such extended time as the Minister allows, a local government is to submit to its auditor –*
 - (a) *the accounts of the local government, balanced up to the last day of the preceding financial year; and*
 - (b) *the annual financial report of the local government for the preceding financial year.*

7.12AD. Reporting on a financial audit

- (1) The auditor must prepare and sign a report on a financial audit.
- (2) The auditor must give the report to —
 - (a) the mayor, president or chairperson of the local government; and
 - (b) the CEO of the local government; and
 - (c) the Minister.

Division 4 – General***7.12A. Duties of local government with respect to audits***

- (1) *A local government is to do everything in its power to —*
 - (a) *assist the auditor of the local government to conduct an audit and carry out the auditor's other duties under this Act in respect of the local government; and*
 - (b) *ensure that audits are conducted successfully and expeditiously.*
- (2) *Without limiting the generality of subsection (1), a local government is to meet with the auditor of the local government at least once in every year.*
- (3) *A local government must —*
 - (aa) *examine an audit report received by the local government; and*
 - (a) *determine if any matters raised by the audit report, require action to be taken by the local government; and*
 - (b) *ensure that appropriate action is taken in respect of those matters.*
- (4) *A local government must —*
 - (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*

(b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.

STRATEGIC IMPLICATIONS:

This item relates to the following component from the Shire of Jerramungup Community Plan 2021 – 2031; Governance and Leadership – Provide informed and transparent decision making that meets our legal obligations, and the needs of our diverse community.

Implement systems and processes that meet our legal and audit obligations.

FINANCIAL IMPLICATIONS:

There are no financial implications for this report.

WORKFORCE IMPLICATIONS:

There are no workforce implications for this report.

POLICY IMPLICATIONS:

Policy implications do not apply to this report and it is the opinion of the author that policy development is not required.

VOTING REQUIREMENT:

Simple majority

OFFICER RECOMMENDATION:

That the Audit Committee, BY SIMPLE MAJORITY:

- 1. CONFIRMS its acceptance of the Auditor’s Management Report to the Audit Committee for the year ended 30 June 2023 supplied by Office of the Auditor General.**

6.0 GENERAL BUSINESS

7.0 CLOSURE OF MEETING

The Presiding Member closed the meeting atam

These minutes were confirmed at a meeting held

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Signed:

Presiding Person at the meeting at which these minutes were confirmed

Date:



Our Ref: 7933

7th Floor, Albert Facey House
469 Wellington Street, Perth

Martin Cuthbert
Chief Executive Officer
Shire of Jerramungup
PO Box 92
JERRAMUNGUP WA 6337

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: 08 6557 7500
Email: info@audit.wa.gov.au

Email: ceo@jerramungup.wa.gov.au

Dear Mr Cuthbert

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2023**

We have completed the interim audit for the year ending 30 June 2023. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to primarily evaluate your financial control environment, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management control issues

We would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management.

The result of the interim audit was satisfactory. An audit is not designed to identify all internal control deficiencies that may require management attention. It is possible that irregularities and deficiencies may have occurred and not been identified as a result of our audit.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7714 if you would like to discuss these matters further.

Yours faithfully

Nayna Raniga
Senior Director
Financial Audit
4 July 2023

Attach

ATTACHMENT

SHIRE OF JERRAMUNGUP

PERIOD OF AUDIT: YEAR ENDED 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. General IT Controls – User Access & Permissions	No – Control		✓		
2. Timesheet Works Costing Posting Errors	No – Financial			✓	
3. Payroll error – Calculation of Loading	No – Financial			✓	

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 JERRAMUNGUP

PERIOD OF AUDIT: YEAR ENDED 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. General IT Controls – User Access & Permission Levels

Finding

Our audit identified a contractor to the Shire who was provided access to Synergy, with access permissions not required for their role.

Rating: Moderate

Implication

Users with access in Synergy to functions that are not required as part of their role increase the risk of errors being entered, transactions or systems being changed or altered and fraud occurring.

Recommendation

All users and individual access levels in Synergy should be reviewed to ensure that users can only access components of the system that are required for them to perform their roles.

Management comment

Management is seeking advice from our current IT provider to ensure a review is conducted on an annual basis of Synergy user access permissions. Management to introduce a procedure in consultation with their IT provider to ensure new Staff or Contractors added to our IT system have the appropriate access permissions in Synergy.

Responsible person: Chief Executive Officer
Completion date: 29 June 2023

SHIRE OF JERRAMUNGUP

PERIOD OF AUDIT: YEAR ENDED 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Timesheet Review and Authorisation

Finding

During testing of payroll procedures there were two instances from thirty tested where errors were made in the posting of work costings to the general ledger. In one instance there was a duplication error of 7 hours of machinery overheads in the plant allocation and the other instance was misallocation of employee hours recorded against the wrong General Ledger account.

Rating: Minor

Implication

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Recommendation

The Shire should review work and project costings and reconcile these to the general ledger to ensure they are valid and appropriate. This review should be evidenced by the appropriate employee supervisor.

Management comment

Consider a procedure to review work and project costings to the general ledger. Payroll Officer to double check that the code entered into Synergy is matched to the employees' timecard.

Responsible person: Chief Executive Officer

Completion date: 29 June 2023

SHIRE OF JERRAMUNGUP

PERIOD OF AUDIT: YEAR ENDED 2023

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. Payroll error – Calculation of Loading

Finding

During testing of payroll procedures there was one instance of errors in system setup resulting in an incorrect % of casual loading being paid to an employee in a pay run.

Rating: Minor

Implication

Errors in system generated pay roll items can lead to employees being paid more or less than the amounts they are due.

Recommendation

All system generated amounts for payroll data should be reviewed prior to posting of pay runs to confirm correct calculations.

Management comment

Management has in place a fortnightly spreadsheet that is used to double check superannuation and other allowances against the payroll reports during the fortnightly payroll process. Management has now introduced an additional column on the spreadsheet to double check casual loading against payroll reports. This spreadsheet is checked by the Payroll Officer and the Manager signing off on payroll. This is filed with the payroll documents/reports at the end of the pay run.

Responsible person: Chief Executive Officer
Completion date: 29 June 2023

