

SHIRE OF MOORA

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. Audit Regulation 17 Review Not Performed	No	✓			
2. Payroll – Incorrect Hourly Rate Paid	No		✓		
3. Fee and Charges	No		✓		
4. Supplier Masterfile Changes	No		✓		✓
5. Outdated Registers, Plans and Policies	No		✓		✓
6. No Evidence of Journal Review	No		✓		
7. Excessive 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.

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1. Audit Regulation 17 Review Not Performed

Finding

In accordance with Local Government (Audit) Regulations 1996 regulation 17, the Chief Executive Office is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to risk management, internal control and legislative compliance. The review must occur not less than once in every three financial years. We noted that the last review was performed on 30 June 2019.

Rating: Significant

Implication

Non-compliance with Local Government (Audit) Regulations 1996 regulation 17.

Recommendation

The required review should be performed.

Management comment

The review of the Regulation 17 has been performed in-house. Draft report is under review by the CEO and should be adopted in the next Audit Committee Meeting.

Responsible person: Deputy CEO

Completion date: 7 July 2025

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2. Payroll – Incorrect Hourly Rate Applied

Finding

We noted that an employee was overpaid by \$13.16 per hour during the period from 27 February 2025 to 20 May 2025, resulting in a total overpayment of \$3,400. The Shire had agreed with the employee to recover the overpayment.

Rating: Moderate

Implication

Inadequate control of reviewing correctness of employees' payrates in payroll system to approved rate increases the risk of fraud and error on payment to employees.

Recommendation

The Shire should review the circumstances resulting in the control deficiency and perform a review of all payrates to ensure all other employees are paid at the approved rate.

Management comment

Beside the review of each current employee, the Shire will now have two HR representatives review the onboarding process for new employee information when it is entered to avoid any further mistakes like this. The process separates the functions of the two officers; one will upload the data and cannot authorise any payment against the data uploaded. The second officer will check the data uploaded and authorise inclusion in the payroll system.

Responsible person: Chief Executive Officer

Completion date: 7 July 2025

SHIRE OF MOORA**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****3. Fee and Charges****Finding**

We noted the following when performing procedures on fees and charges:

- 1) **Rent:** - 4 out of the 7 rental agreements reviewed were not signed by either of the parties. Additionally, the rental agreements with BBB Catering and Fuel Distributions WA Pty Ltd expired in 2017 and 2022 respectively, yet both arrangements appear to be continuing.
- 2) **Fees and charges - Equipment hire:** - We noted that the rate was incorrectly applied to the hire charges for the small truck and the skid steer. (Hire of plant with operators: 3 hours for the skid steer and 6 hours for 2 small trucks on 16-09-2024). According to our audit calculation, the correct rate should be 3 hours for the skid steer at \$154/hour and 6 hours for 2 trucks at \$180/hour, totalling \$2,622. However, the Shire mistakenly charged a rate of \$130/hour for the skid steer and \$143/hour for the two trucks resulting in a loss of \$294.

Rating: Moderate**Implication**

- 1) **Rent:** - Without a signed agreement, the agreement may not be legally binding. This may give rise to disputes if the contract terms are challenged. Also, it indicates a failure in contract management control. In case of agreements expired and continuing without renewal, the agreements may no longer be enforceable under the original terms of the contract and in case of disputes, the Shire may lack legal standing.
- 2) **Fees and charges- Equipment hire:** - Failure to apply correct rates indicates controls deficiencies which resulted in the incorrect amount of revenue charged.

Recommendation

We recommend that all lease agreements are reviewed to ensure that all are valid, legally enforceable and updated. We also recommend that management improve controls over rates used when invoicing.

Management comment

- 1) *With the appointments of key personnel in this FY, procedures that were unable to be prioritised before, has now been reviewed and actioned accordingly, this includes expired agreements. In respect of the BBB Catering and Fuel Distributors WA Pty Ltd leases, a clause exists within the lease that allows an extension of the lease by the respective parties exchanging advice and acknowledged that the lease will be rolled over pending future execution of a new lease.*
- 2) *Although it was a single instance in a total of \$2.9M revenue generated in the FY under the Fees and Charges, the Shire would implement further checks to make sure the correct rates are applied accordingly to the internal forms.*

Responsible person: Chief Executive Officer / Manager Financial Services

Completion date: 7 July 2025

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4. Supplier Master File Changes

Finding

We noted the following issues:

1. The section labelled "Finance Officer Use Only" on the New Supplier Details Form/Amendment Request requires a verification sign-off from the person responsible for inputting the details into the master file system. However, in most of the samples we reviewed (4 out of 6), this sign-off was either missing or not properly completed.
2. We reported in previous years that there was no evidence of independent review of system change logs in the supplier master file system. The Shire has since implemented the control however it could not be evidenced for the months of October and December 2024.

Rating: 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 controls consistently during the financial year.

Management comment

Consistency in controls would be prioritised to ensure procedures are properly followed and risks are mitigated.

Responsible person: Manager Financial Services

Completion date: 7 July 2025

SHIRE OF MOORA**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****5. Outdated Registers, Plans and Policies****Finding**

We noted that the following registers, plans and policies are outdated:

- Asset Management Plan
- Corporate Business Plan
- Workforce Plan
- Risk Management Policy
- IT Policy and Business Continuity and Disaster Recovery Plan are under review and has not been to date
- Corporate credit card policy
- Delegation Register – this was reported in 2024.

Rating: Moderate**Implications**

Outdated policies often lead to control weaknesses, as actual practices may not align with outdated policy intent. Failure to align policies with current laws may expose the Shire to legal disputes or claims.

Recommendations

The Shire should implement a regular policy review cycle, update the policy register with last review and next review dates, monitor changes in legislation and promptly update relevant policies.

Management comment

The Shire has faced labour force challenges in recent years, reducing its ability to operate at full capacity. With the appointments of key personnel in this FY, the Shire is expected to improve its performance and procedures.

An example of this is the update to the policies listed:

- **Asset Management Plan** – to be reviewed
- **Corporate Business Plan** - following the recent adoption of the revised Strategic Community Plan, the review of the Corporate Business Plan is underway, and a proposed structure has been submitted to the CEO.
- **Workforce Plan** – Under review
- **Risk Management Policy** - The Policy and Framework have been reviewed and are contingent on further updates to the template version before being presented to Council for adoption.
- **IT Policy and Business Continuity and Disaster Recovery Plan are under review and has not been to date** – both are under review and should be completed within the next FY.
- **Corporate credit card policy** – Policy adopted on 21 May 2025
- **Delegation Register – this was reported in 2024** – under CEO review and awaiting adoption.

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Responsible person: Chief Executive Officer / Deputy CEO

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6. No Evidence of Journal Review

Finding

In our audit of journals, we noted 2 out of 23 samples where journal entries passed were not reviewed.

Rating: Moderate

Implication

Without independent review of journals, there is increased risk of fraud and error.

Recommendation

The Shire should ensure that all manual journals are reviewed and approved by appropriate officers who are independent of journal preparation.

Management comment

Process has been revised by the Shire and the procedure improved to ensure all GJNL are reviewed accordingly.

Responsible person: Manager Financial Services

Completion date: 7 July 2025

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7. Excessive Annual Leave

Finding

We identified 7 employees who have an annual leave accrued balance in excess of 300 hours as at 30 April 2025.

We noted that 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

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

Over the past year, the Shire has taken a proactive approach to managing and significantly reducing employee leave balances. This initiative remains a key area of focus, as maintaining manageable leave accruals is critical to both employee wellbeing and organisational efficiency.

We are confident that employees with substantial accrued leave are aware of the importance of taking regular breaks and are committed to gradually reducing their balances in alignment with operational requirements.

However, the situation remains complex due to ongoing recruitment challenges faced by the Shire. Staffing shortages often place additional pressure on our existing employees and teams, making it more difficult to release staff for extended periods of leave without disrupting service delivery.

Balancing the need to reduce leave accruals with the necessity of meeting the Shire's work program commitments requires careful planning and can be challenging.

Responsible person: Chief Executive Officer

Completion date: 7 July 2025