

SHIRE OF MOORA
AUDIT COMMITTEE MINUTES
16 APRIL 2025
HELD IN THE COUNCIL CHAMBERS, MOORA

TABLE OF CONTENTS

1. DECLARATION OF OPENING	2
2. ATTENDANCE & APOLOGIES.....	2
3. CONFIRMATION OF MINUTES.....	2
3.1 GENERAL PURPOSE COMMITTEE MEETING - 19 FEBRUARY 2025	2
4. REPORTS OF OFFICERS.....	3
4.1 REPORT ADDRESSING SIGNIFICANT MATTERS AS IDENTIFIED BY THE AUDITOR IN THE 2023-2024 AUDIT REPORT	3
5. CLOSURE OF MEETING	4

I. DECLARATION OF OPENING

The Presiding Member declared the meeting open at 3.05pm.

2. ATTENDANCE & APOLOGIES

ATTENDANCE

TL Lefroy	-	Presiding Member
SJ Gilbert	-	Councillor
DV Clydesdale-Gebert	-	Councillor
TL Errington	-	Councillor
TW Dugan	-	Councillor
GW Robins	-	Chief Executive Officer
B Hoogland	-	Deputy CEO
MM Murray	-	Executive Support Officer (minute taker)
T Bate	-	RSM Australia (Teams)

3. CONFIRMATION OF MINUTES

3.1 GENERAL PURPOSE COMMITTEE MEETING - 19 FEBRUARY 2025

COMMITTEE RESOLUTION

17/25 Moved Cr Errington, seconded Cr Gilbert that the Minutes of the General Purpose Committee Meeting held on 19 February 2025 be confirmed as a true and correct record of the meeting.

CARRIED 5/0

FOR: Cr's Lefroy, Gilbert, Clydesdale-Gebert, Errington, and Dugan
AGAINST: Nil

4. **REPORTS OF OFFICERS**

4.1 **REPORT ADDRESSING SIGNIFICANT MATTERS AS IDENTIFIED BY THE AUDITOR IN THE 2023-2024 AUDIT REPORT**

FILE REFERENCE: F/AUD1-3

REPORT DATE: 10 April 2025

OFFICER DISCLOSURE OF INTEREST: Nil

PREVIOUS MEETING REFERENCES: Nil

AUTHOR: Travis Bate, RSM Australia

ATTACHMENTS: Report on the Significant Audit Matters (Attachment A)
Independent Audit Report for the Year Ended 30 June 2024 (Attachment B)
Interim Management Letter 2024 (Attachment C)
Final Management Letter 2024 (Attachment D)

PURPOSE OF REPORT: This report outlines the actions taken by the CEO in response to the significant matters raised in the 2024 Audit Completion Report. The Audit Committee is requested to review and note this report, which must be submitted to the Minister in accordance with legislative requirements.

BACKGROUND:

Section 7.12A(4) of the Local Government Act 1995 (Act) states that a local government must:

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.

Within 14 days after a local government gives a report to the Minister under subsection 4(b), the CEO must publish a copy of the report on the local government's official website.

The Shire's 2024 Audit Completion Report dated 18 December 2024 contains significant matters requiring the CEO to undertake the actions required by Section 7.12 of the Act.

COMMENT:

Following the Internal Audit meeting held on 19 February 2025, actions have been prepared in response to the significant findings. These actions are detailed in the attached report and appendices.

POLICY REQUIREMENTS:

There are no known policy requirements related to this matter.

LEGISLATIVE REQUIREMENTS:

Local Government Act 1995 - Section 7.12A(4)

STRATEGIC IMPLICATIONS:

Presenting the actions taken to address the significant findings in the audit report to the Audit Committee enhances the governance role of the Council.

SUSTAINABILITY IMPLICATIONS:

- **Environment**
There are no known significant environmental implications associated with this proposal.
- **Economic**
There are no known significant economic implications associated with this proposal.
- **Social**
There are no known significant social implications associated with this proposal.

FINANCIAL IMPLICATIONS:

Nil

VOTING REQUIREMENTS:

Simple Majority Required

COMMITTEE RECOMMENDATION

18/25 Moved Cr Errington, seconded Cr Gilbert that the Audit Committee:

- 1. Receive and review the report on the Significant Audit Matters with appendices A to C.*
- 2. Submit the report of Significant Audit Findings to the Minister.*

CARRIED 5/0

FOR: Cr's Lefroy, Gilbert, Clydesdale-Gebert, Errington, and Dugan

5. CLOSURE OF MEETING

There being no further business, the Presiding Member declared the meeting closed at 3.12pm.

CONFIRMED

PRESIDING MEMBER

10 April 2025

REPORT

Section 7.12A(4)(a) of the Local Government Act 1995

Shire of Moora

Report addressing any matters identified as significant by the auditor in the 2023-2024 Audit Report.

Background and Purpose of Report

Section 7.12A(4) of the *Local Government Act 1995* (**Act**) states that a local government must:

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.

Within 14 days after a local government gives a report to the Minister under subsection 4(b), the CEO must publish a copy of the report on the local government's official website.

The Shire's 2024 Audit Completion Report dated 18 December 2024 contains significant matters requiring the CEO to undertake the actions required by Section 7.12 of the Act.

The purpose of this report is to outline the actions the CEO has taken in relation to the significant matters raised in the 2024 Audit Completion Report.

2024 Significant Matters

The Shire's 2023-24 Audit Completion Report dated 18 December 2024 (attached at Appendix B) identified the following significant matters:

Interim Audit Issues*:

- a) Rates Revenue*
- b) Acquisition of Tennis Club Assets*
- c) Revenue on capital project*
- d) Excessive Superuser Access*

**Appendix C*

Final Audit Issues:**

- e) Rates Revenue (raised with interim audit)*
- f) Acquisition of assets for less than market value*

***Appendix D*

Each of these matters and the actions taken to address them are outlined below.

a & e) Rates Revenue

Implication

Interim

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.

Final

The Shire has determined that the rate adopted by Council for the category of Unimproved Value – Rural of 0.8096 cents in the dollar for the 2024 annual budget was incorrect and the rate of 0.6518 cents in the dollar issued in the rate assessment notices correctly reflected Council's intention of a 5% increase in the rate yield in comparison to the 2023 rates for Unimproved Value – Rural.

As a result, the amount shown in the 2024 annual budget being the amount estimated to be yielded by the general rate was less than 90% of the amount of the budget deficiency as required by the Local Government Act 1995 Section 6.34 *Limit on revenue or income from general rates* unless the Minister approves otherwise, and the Unimproved Value – Urban Farmland rates revenue category was overstated by \$9,526.

Actions Taken to Address Finding

Legal advice was sought to ensure the correct steps are followed to rectify the rating within this category. The adjusted total rates value is approximately 81% of budget deficiency and the following steps are to be taken:

- Step 1: Seek Ministerial approval under Section 6.34
- Step 2: Amend council resolution 69/23
- Step 3: Amend the 2023/2024 rate record – pending
- Step 4: Issue new rate notice to affected property owners – pending

Completion or Proposed Completion Date

- Step 1: A request was sent to the Minister on 25 March 2025. Approval is outstanding as at date of this report. Completion date is pending approval.
- Step 2: Amendment has been adopted by Council on 11 December 2024.
- Step 3: Pending step 1.
- Step 4: Pending step 1.

Recommendation

Follow ups need to be scheduled with the Minister by the CEO, until an outcome is received.

Ensure that in future years, total rates values stay within the budget deficiency parameters of between 90% and 110%. Should any future changes or corrections, requiring Ministerial approval be required, it be processed prior to changes are captured to budget/rates notices.

b) Acquisition of Tennis Club Assets

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.

Actions Taken to Address Finding

Valuation reports received from qualified valuers and assets have been adjusted as a prior period adjustment in 2023.

Completion or Proposed Completion Date

Finding has been resolved as part of preparations for the 2024 financial report.

Recommendation

Staff resources have improved since the 2023 financial year, this coupled with external accountants appointed with monthly reconciliations increases the ability to correctly capture the additions.

There is an increased awareness of non-monetary asset transactions to assist with timeous capturing hereof.

Monthly minutes to be reviewed as additional measure to assist in identifying non-monetary transactions.

c) Revenue on Capital Project

Implication

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

Actions Taken to Address Finding

Applicable invoice raised for the project was credited, rectifying the misstated revenue and contract liability.

Completion or Proposed Completion Date

Finding has been resolved as part of preparations for the 2024 financial report.

Recommendation

Ensure that invoices are only raised for projects where cost have been agreed upon in writing, supported by an agreement with, or a purchase order is provided from the client.

d) Excessive Superuser Access**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.

Actions Taken to Address Finding

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 has been deactivated.

Completion or Proposed Completion Date

6 August 2024

Recommendation

The Shire needs to continuously monitor change on staff and contractors with access to Synergy and align this with user access changes.

f) Acquisition of assets for less than market value**Implication**

The Shire has not recognised the fair value of assets acquired at the time of acquisition being March 2022 resulting in the understatement of assets in prior years and the restatement of comparative in the current year to correct the error as described in Note 29 to the financial statements.

Actions Taken to Address Finding

Steps have been taken to change the way the Department of Fire and Emergency Services conveys advice to the Shire as to asset movements through the formalisation of a single point of contact rather than the previous communication via a shared DFES officer operating from another Shire. The Shire has appointed an Emergency Services Manager who has responsibility for relationships with DFES and coordination of asset movements.

Completion or Proposed Completion Date

30 March 2025

Recommendation

Should the staff structure change with relation to a SES manager, alternative steps need to be implemented to ensure this communication line with DFES stays active to avoid reoccurrence of the finding.

Appendix B:

2024 Audit Report

Appendix C:

Interim Management Letter Findings

Appendix D:

Final Management Letter Findings



T (08) 6165 4090 F (08) 6165 4067
A 18 Sangiorgio Court Osborne Park WA 6017
P Locked Bag 4 Osborne Park DC WA 6916
E info@armada.com.au

strength in numbers

18 December 2024

Councillors
Shire of Moora
Via Email

Dear Councillors,

30 June 2024 Audit

We are pleased to present you with our report on the audit of Shire of Moora ('the Shire') for the year ended 30 June 2024. We are responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to the responsibilities in overseeing the financial reporting process. This report includes an analysis of the audit outcomes, key audit risk areas, our conclusion, and other recommendations for your attention. We welcome any comments you may have or any additional areas in which you seek comfort or assurance from the audit process.

Yours Sincerely,

MARCIA JOHNSON CA
Director
Armada Audit & Assurance Pty Ltd

TAX & ACCOUNTING | AUDITING | BUSINESS MANAGEMENT | BUSINESS CONSULTING | FINANCIAL PLANNING | LENDING

ARMADA.COM.AU

Armada Audit & Assurance Pty Ltd - ABN 52 618 974 119. A member of the Armada Group. Whilst the Armada Group logo is utilised by all members of the Armada Group, each member of the Armada Group is a separate legal entity in its own right and is not in partnership with any other members of the Armada Group. Liability limited by a scheme approved under Professional Standards Legislation.



SHIRE OF MOORA Audit Completion Summary 30 June 2024

Audit Risk Rating

Significant

A judgmental assessment of inherent risk as significant relates to those risks which require special audit consideration (in terms of the nature, timing or extent of testing) because of the nature of the risk, the likely magnitude of the potential misstatements (including the possibility that the risk may give rise to multiple misstatements) and the likelihood of the risk occurring.

High

A judgmental assessment of inherent risk as high relates to a risk that requires additional audit consideration beyond what would be required for a normal risk, but which does not rise to the level of a significant risk.

Normal

A judgmental assessment of inherent risk as normal is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring. We do not, as a matter of course, discuss normal risks with those charged with governance unless we seek their confirmation on the judgment that has been applied.

N

Any expected modifications to the audit report

Reference: No modifications are expected to our audit report; however, an emphasis of matter paragraph is included to outline correct of two prior year errors in the current year. Refer to section 1 of our report

Y

Were significant audit adjustments required

Yes – refer to section 2 of our report

Y

Are unadjusted differences considered immaterial

Unadjusted audit differences considered to be immaterial refer to section 2.

Y

Account balances and transactions audited in accordance with our strategy

Yes – Refer to section 4 of our report

Y

Audit risks and exposures appropriately addressed

Yes – Refer to section 4 of our report

Y

Any significant audit risks requiring comment from Council and management

Reference: Yes, assurance on completeness of the assets considering the prior year errors identified and corrected in the current year.

N

Any instances of fraud or error relating to operation noted

Reference: None noted refer to section 7 of our report

Y

Any significant or moderate priority internal control deficiencies identified

Reference: Refer to section 6 of our report.

N

Any material uncertainties, conditions or events identified affecting going concern noted

Reference: None noted refer to section 7 of our report.

N

Any instance of non-compliance with laws and regulations

Reference: None noted refer to section 7 of our report

Y

Outstanding Matters at the date of this report

Reference – Refer to section 1 of this report

Y

Sufficient level of preparedness for audit

Management of the Shire provided the financial statements for audit on 30 September 2024. This was certified by the Chief Executive Officer – Gavin Robins. The audit ready financial statements however were ready only on 17 December 2024.

All information required supplied in a timely manner

Y This was the case however some information relating to significant matters were only provided late in the process.

1. CONCLUSION

We have substantially completed our audit of the year ended 30 June 2024 financial statements of the Shire of Moora.

At the conclusion of the audit, we are expected recommend to the Office of the Auditor General to issue an unmodified opinion with an emphasis of matter paragraph to highlight the restatement of comparatives.

Emphasis of Matter – Restatement of Comparative balances

I draw attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. My opinion is not modified in respect of this matter.

Outstanding matters at the date of this report include:

- Receipt of signed management representation letter and
- Signed financial statements

2. ADJUSTMENTS**Adjusted misstatements**

During the audit, 13 audit adjustments were recommended which were processed by management:

Financial Year ended 30 June 2023 – Restatement of Comparatives

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Property, plant and equipment	32,799,730	33,242,177	(442,447)	Y
Depreciation	4,638,470	4,701,639	(63,169)	Y
Retained Surplus	98,334,112	98,839,728	505,616	Y
Restatement for prior period figures - adjustment to recognise a Fire Truck received as a grant from DFES in 2022.				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Capital grants, subsidies and contributions	5,683,625	5,157,216	526,409	Y
Property, plant and equipment	35,665,044	35,138,635	(526,409)	Y
Reversal of Fire Truck Contributions from DFES as this was adjusted for as a prior period error.				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Property, plant and equipment	35,138,635	35,581,082	442,447	Y
Retained surplus	96,327,041	96,769,488	442,447	Y
Adjustment to remove the DFES Fire Truck incorrectly record in FY 2024				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Property, plant and equipment	35,763,402	35,768,402	5,000	Y
Profit on asset disposals	(151,211)	(114,393)	36,818	Y
Capital grants, subsidies and contributions	(5,118,385)	(5,160,203)	(41,818)	Y
Reversal of Disposal of the DFES Fire Truck				

Financial Year ended 30 June 2024				
Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Trade and Other Payable	757,709	745,560	12,149	Y
Borrowing	311,636	323,785	(12,149)	Y
Adjustment for accrual of loan guarantee fee, moved to borrowings				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Trade and other receivables	760,530	766,608	6,078	Y
Employee costs	4,504,165	4,498,087	(6,078)	Y
Fringe Benefit Tax Receivable Adjustment				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Impairment of Investment	-	11,190	11,190	Y
Other financial assets	119,784	108,594	(11,190)	Y
Impairment of the investment in CMC due to holding company dissolving.				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Loss on asset disposals	43,784	179,608	135,824	Y
Property, plant and equipment	35,800,867	35,665,044	(135,823)	Y
Write off of assets with the fair value of individual assets below \$5,000				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Materials and contracts	2,928,922	3,403,246	474,324	Y
Other revenue	122,782	(144,674)	(21,892)	Y
Employee costs	4,498,087	4,045,655	(452,432)	Y
Reclassification of expenses incorrectly recorded as Employee costs				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Trade and other receivables	766,608	771,309	4,701	Y
Capital grants, subsidies and contributions	5,157,216	5,118,386	38,830	Y
Other liabilities	1,370,274	1,413,806	(43,531)	Y
Correct recognition of the War Memorial Grant.				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Property, plant and equipment	35,581,082	35,766,082	185,000	Y
Investment property	711,000	526,000	(185,000)	Y
Correct classification of Investment property assets				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Depreciation	5,322,501	5,325,181	2,680	Y
Property, plant and equipment	35,766,082	35,763,402	(2,680)	Y
Depreciation on building transferred from investment property to land and buildings				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Finance costs (DR)	148,606	173,863	(25,257)	Y
Materials and contracts (CR)	3,403,246	3,377,989	25,257	Y
Loan Guarantee Fee Adjustment				

Unadjusted misstatements

Errors that were not adjusted as the impact was not considered to be material.

Financial year ended 30 June 2023

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Property, plant and equipment	33,242,177	33,427,177	185,000	N
Investment property	711,000	526,000	(185,000)	N
Management discovered that assets were incorrectly classified in the prior year and corrected the error in FY 2024. The balances for FY 2023 were therefore not corrected.				

Financial year ended 30 June 2024

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Depreciation	5,325,181	5,387,414	62,233	N
Property, plant and equipment	35,768,402	35,722,749	(45,653)	N
Infrastructure	191,659,901	191,643,321	(16,580)	N
Correction of depreciation incorrectly calculated for Footpath and Fire Truck assets				

3. MATERIALITY

Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users of the financial report. The determination of materiality is a matter of professional judgement and is affected by our perception of the financial information needs of users of the financial report. Having considered the nature of the entity, the industry and economic environment in which the entity operates and the relative volatility of alternative benchmarks, we have determined overall planning materiality based on the Shire's total expenditure for the year.

The overall materiality was not required to be reassessed during the audit. Management will represent to us in writing that all uncorrected misstatements that they are aware of have been brought to our attention.

4. AUDIT RISK AREA

This is our first year of appointment as the contract auditors on behalf of the Office of the Auditor General financial year ended 30 June 2024.

The area below are audit risk areas that we identified based on our understanding of your business, discussions with management as well as any additional risks that arose during the audit. This is not a complete list of all audit risks considered or all audit procedures performed.

Risk rating	Details of Risk / Issue	Audit Approach	Result
	Audit findings reported in the previous audit consisted of a number of significant, moderate and minor rated issues relating to financial control and information system weakness.	We followed-up on the issues reported to determine whether the matters have been resolved and if not.	Most of the prior year matters were resolved or in the process of being resolved with 3 matters re-reported in the current year.
	Information Technology Risk	We assessed whether the Shire has adequate IT controls in place to ensure that the integrity of data is protected and that access to financial areas are restricted to ensure adequate segregation of duties and follow up on control weaknesses previously reported.	Based on our review the Shire has adequate IT controls in place to ensure that the integrity of data is protected and that access to financial areas are restricted to ensure adequate segregation of duties. The Shire has implemented improvements to information systems controls identified in the prior year.
	<p>We have identified the following areas that we consider require additional focus:</p> <ul style="list-style-type: none"> + Related party disclosures + Revenue recognition including contract liabilities + Unauthorised expenditure + Unrecorded liabilities and expenses + Contingent assets and liabilities + Joint arrangements 	<p>We have review the accounting treatment and disclosure processes during our audit.</p> <p>We have checked the disclosures in the annual financial report and can confirm that they are appropriate and complies with the requirements of the applicable Australian Accounting Standards.</p>	We have performed our audit procedures on the relevant risk areas identified and concur with management's assessment of the accounting standards and the related disclosures in the financial statements.

Risk rating	Details of Risk / Issue	Audit Approach	Result
	<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> + Provision for annual and long service leave + Useful lives of assets + Impairment of assets 	<p>We reviewed the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. Including the reasonableness of assumptions and corroborating representations.</p>	<p>We have performed our audit procedures on the relevant risk areas identified and concur with management's assessment of the accounting standards and the related disclosures in the financial statements. We are satisfied that the data, methods and assumptions used are reasonable.</p>

5. QUALITATIVE ASPECTS OF ACCOUNTING PRACTISES

Financial Report Disclosures

The disclosures in the financial report are neutral, consistent, and clear. Certain financial report disclosures are particularly sensitive because of their significance to financial report users. The most sensitive disclosures affecting the financial statements were:

- Provision for long service leave
- Valuation of Non-Current Assets
- Useful lives of non-current assets
- Contingent Assets and liabilities
- Prior Period Error

We concur with the judgements utilised in formulating these disclosures.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Provision for long service leave
- Valuation of Non-Current Assets
- Useful lives of non-current assets

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

6. ASSESSMENT OF INTERNAL CONTROLS

Deficiencies in internal control

We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit.

All issues identified during the course of our fieldwork are categorised as per below:

Level 1	Significant Deficiencies	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.
Level 2	Moderate Deficiencies	Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
Level 3	Minor Deficiencies.	Those findings that are not of primary concern but still warrant action being taken.

During our audit for the year ended 30 June 2024, we evaluated the effectiveness of controls on three levels – design, implementation and operating effectiveness. As part of this evaluation, we gained a detailed understanding of the policies and procedures over the following business cycles:

- Purchases & payments
- Payroll and Employee Benefits
- Bank and cash
- Revenue (Design and Implementation Only)

We are pleased to inform management and those charged with governance that, based on our observations and testing, only one significant control deficiency was identified during the interim audit period, and it has since been resolved. All other issues identified were categorised as moderate or minor, as detailed below. As a result, we were able to place reliance on certain key controls for our audit. Whilst we consider the effectiveness of management's internal controls relevant to the Shire's preparation and fair presentation of the financial report when determining the nature timing and extent of our audit our audit procedures are not designed to provide an opinion or any assurance on the effectiveness of the Shire's internal control.

MANAGEMENT LETTER POINTS – REFER TO MANAGEMENT LETTER ATTACHMENT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
INTERIM AUDIT ISSUES					
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			✓	✓
FINAL AUDIT ISSUES					
8. Rates Revenue	No	✓			
9. Acquisition of assets for less than market value	Yes – emphasis of matter	✓			

** This finding was resolved by management at the year by processing necessary adjustment to correct prior year errors and restating comparatives accordingly in the financial statements.*

7. OTHER REPORTING REQUIREMENTS

AREA	RESPONSE
Fraud	<p>Our audit procedures include discussion with management and those charged with governance as to the existence of any known or suspected material fraud. There was no known or suspected material fraud from these discussions. Those charged with governance may contact the OAG Representative, Liang Wong on (08) 6557 7542 if they are aware of any known or suspected fraud.</p> <p>We are not aware of any known or suspected material fraud, nor has it been brought to our attention by management. We will obtain in writing, representations regarding the existence of fraud, policies and procedures in place to prevent and detect fraud, noting no instances of fraud of which management are aware.</p>
Errors, irregularities and illegal acts	<p>We have noted no errors or irregularities that would cause the financial report to contain a material misstatement. As part of our normal statutory audit no apparent illegal acts have come to our attention.</p>
Compliance with laws & regulations	<p>We are not aware of any known or suspected non-compliance with laws or regulations applicable to the Shire that may be material to the financial report. We will also receive representations from management confirming that the Shire is in compliance with all laws and regulations that impact the organisation.</p>
Appropriateness of accounting policies	<p>We considered management's assessment of the effects of any accounting policy changes on the Shire's financial statements for the current financial year as well as their assessment of any potential effects arising from those standards applicable for the first time in subsequent financial periods.</p> <p>We consider that the accounting policies adopted in the financial statements are appropriately applied and disclosed. We noted no transactions entered into by the Shire during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognised in the financial statements in a different period than when the transaction occurred.</p>
Management consultation with other independent accountants or experts	<p>If management consulted with other accountants about auditing and accounting matters, we are to inform Council of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p> <p>To our knowledge, management has consulted with an external accounting firm in relation to the preparation of the financial statements and utilised property expert valuers to support the fair value of assets acquired. This is line with normal practices and therefore we have no significant matters to report as a result of such consultation.</p>
Management representations	<p>We have requested certain representations from management that are included in the draft management representation letter.</p>

Independence	●	We confirm that, as at the date of this report, the Firm and the members of the Audit Team continue to meet the independence requirements of Australian Auditing Standards and the ethical requirements of the <i>Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)</i> (the Code).
Difficulties encountered in performing the audit	●	The audit was mostly performed as planned however the restatement of comparatives and rates error issue required additional focus and time.
Related Parties	●	<p>Significant matters arising during the audit in connection with the Shire's related parties include, where applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; or • Non-compliance with laws and regulations. <p>Auditor Response: We are not aware of any related party transactions that are not adequately accounted for by management.</p>

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

SHIRE OF MOORA

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Rates Revenue	No	✓			NA
2. Acquisition of assets for less than market value	Yes – emphasis of matter	✓			NA

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 FINAL AUDIT****1. Rates Revenue****Finding**

As reported in our interim management letter, the 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).

The Shire has determined that the rate adopted by Council for the category of Unimproved Value – Rural of 0.8096 cents in the dollar for the 2024 annual budget was incorrect and the rate of 0.6518 cents in the dollar issued in the rate assessment notices correctly reflected Council's intention of a 5% increase in the rate yield in comparison to the 2023 rates for Unimproved Value – Rural.

As a result, the amount shown in the 2024 annual budget being the amount estimated to be yielded by the general rate was less than 90% of the amount of the budget deficiency as required by the Local Government Act 1995 Section 6.34 *Limit on revenue or income from general rates* unless the Minister approves otherwise, and the Unimproved Value – Urban Farmland rates revenue category was overstated by \$9,526.

Rating: Significant**Implication**

The Shire has not complied with Local Government Act Section 6.34 *Limit on revenue or income from general rates*.

Recommendation

The Shire should rectify this non-compliance according to the legal advice received on the matter.

Management comment

The Shire Council has adopted the advice received from Civic Legal and subsequently wrote to the Minister for Local Government seeking consent to the Shire operating at an amount less than the minimum limit of 90% of revenue or income from general rates in respect of the 2024 annual budget.

Responsible person:

Chief Executive Officer

Completion date:

Subject to Ministerial approval.

SHIRE OF MOORA**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****2. Acquisition of assets for less than market value****Finding**

We noted that a replacement vehicle provided by the Department of Fire and Emergency Services in March 2022 as a capital contribution was not recorded in the asset register and accounting records of the Shire on the date of delivery.

Rating: Significant**Implication**

The Shire has not recognised the fair value of assets acquired at the time of acquisition being March 2022 resulting in the understatement of assets in prior years and the restatement of comparative in the current year to correct the error as described in Note 29 to the financial statements.

Recommendation

Management should implement financial controls to ensure that assets received as capital contributions for no consideration are recognised as assets at the fair value on acquisition date and capital contribution recognised as income.

Management comment

It is noted that this matter concerns an individual item, not multiple items, as implied by the plural description of "assets" above. There are likely to be a number of factors that have given rise to this outcome. Steps have been taken to change the manner in which the Department of Fire and Emergency Services conveys advice to the Shire as to asset movements through the formalisation of a single point of contact rather than the previous communication via a shared DFES officer operating from another Shire. The Shire has appointed an Emergency Services Manager who has responsibility for relationships with DFES and coordination of asset movements.

Responsible person: Financial Services Manager

Completion date: 30 March 2025