

## SHIRE OF NUNGARIN

PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022

## FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
<b>Matters outstanding from prior year</b>			
1. Purchase quotations		✓	
<b>Findings identified in the current year</b>			
2. Fair value of road infrastructure assets		✓	
3. No workforce plan	✓		
4. Supplier invoices not signed		✓	
5. Supplier Masterfile amendments		✓	
6. IT security control environment		✓	
7. Information and communication technology (ICT) disaster recovery plan		✓	
8. Risk management policy		✓	
9. Corporate business plan expired		✓	

**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.
- 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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**Recommendation**

We recommend that all authorised officers' comply with the purchasing policy in regards to supplier quotations or document reasons why quotes were not obtained.

**Management comment**

*As a result of the remote location and difficulty in obtaining quotes for various works, Council adopted a new purchasing policy which will address this matter. Staff with delegated authority have been made aware of the new policy and its requirements.*

*Further, to ensure compliance going forward a "purchasing form" confirming compliance with the new Purchasing Policy CM 9 will be developed and staff are required to attach this form to purchase orders were relevant.*

Purchase value threshold	Purchasing requirement
Up to \$7,500	Quotations are not required for purchases in this category. Officers are required to adhere to the overarching principles of policy objectives.
Over \$7,501 up to \$50,000	Seek at least two written quotations from suppliers following a brief outlining the specified requirements, from: <ol style="list-style-type: none"> <li>1. the open market, supporting buy local, where possible and practicable;</li> <li>2. an existing panel of pre-qualified suppliers administered by the Shire; or</li> <li>3. a pre-qualified supplier on the WALGA Preferred Supply Program or State Government.</li> </ol>
Over \$50,001 and up to \$249,999	Seek at least three written quotations (with adequate consideration supporting buy local) from suppliers by formal invitation under a Request for Quotation, containing detailed specification of goods and services required. The procurement decision is to be based on pre-determined evaluation criteria that assesses all value for money considerations in accordance with the definition stated within this Policy. Quotations within this threshold are to be <i>sourced</i> as follows, with the order of preference being from: <ol style="list-style-type: none"> <li>1. the open market generally;</li> <li>2. an existing panel of pre-qualified suppliers administered by the Shire; or</li> <li>3. a pre-qualified supplier on the WALGA Preferred Supply Program, or State Government; or</li> </ol> Requests for quotation from a pre-qualified panel of suppliers (whether administered by the Shire through the WALGA preferred supply program or State Government are not required to be invited using a Request for Quotation form, however at least three written quotes are still required to be obtained.

**SHIRE OF NUNGARIN****PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE AUDIT****Findings identified during the current year****2. Fair value of road infrastructure assets - frequency of valuations****Finding**

While the Shire performed an assessment as to whether there was a material difference between the carrying value and fair value of road infrastructure assets, this assessment was not comprehensive. In particular, the assessment indicates that construction costs have not increased during the year, but there was no evidence provided to support this conclusion.

**Rating: Moderate****Implication**

Without a comprehensive assessment of fair value of the Shire's Road Infrastructure Assets there is a risk that the fair value of Road infrastructure assets may not have been assessed adequately and in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

**Recommendation**

The Shire should improve its asset valuation and impairment assessment to include clear evidence to support conclusions. For example, evidence of recent prices for tendered projects should be included to support conclusions that there have not been material movements in prices.

Where the assessment indicates that a valuation is required, a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Measurements.

This process is to ensure that the Shire's Road infrastructure assets are recorded at fair value in compliance with AASB 13 Fair Value Measurement and the Regulations.

The comprehensive assessment may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair values of relevant assets are likely to have been impacted to any significant / material extent from the prior year. Where a fair value assessment has been performed internally the Shire may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

**Management comment**

*A desktop assessment is done annually by the Shires Financial Consultant to determine if there is any potential significant impact on the valuations. This was done for the subject financial year and sent to the Auditors on 28 September 2022 with no further enquiries.*

*Further since the last revaluation of the asset, there has been significant volatility with regard to inflation, in addition, there have been a number of factors that have also contributed to the high inflation, particularly, COVID -19 pandemic.*

**SHIRE OF NUNGARIN****PERIOD OF AUDIT: 1 JULY 2021 TO 30 JUNE 2022****FINDINGS IDENTIFIED DURING THE AUDIT****3. No workforce plan****Finding**

We noted that the Shire does not have a Workforce Plan in place.

Section 5.56 of the *Local Government Act 1995* requires a local government to plan for the future of the district, and the plans made are to be in accordance with any regulations made about planning for the future of the district.

Section 19DA(3)(c) of the *Local Government (Administration) Regulations 1996* requires a corporate business plan for a district to develop and integrate matters relating to resources, which includes workforce planning. Section 19DA(4) requires the corporate business plan to be reviewed every year.

**Rating: Significant****Implication**

The Shire has not complied with section 5.56 of the *Local Government Act 1995* and section 19DA(3)(c) of the *Local Government (Administration) Regulations 1996*.

**Recommendation**

We recommend that the Workforce Plan is prepared and approved by Council to ensure compliance with section 5.56 of the *Local Government Act 1995* and section 19DA(3)(c) of the *Local Government (Administration) Regulations 1996*.

**Management comment**

*It is acknowledged that a plan is a requirement of the Act. A workforce plan will be prepared and considered by Council within the current financial year.*

**Responsible person:** CEO – Leonard Long

**Completion date:** 2022/23 FNY

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## 5. Supplier Masterfile amendments

**Finding**

From our review of changes to supplier master files, we noted the following:

- Six instances out of a sample of 14 where no New/Change of Supplier Details Form was prepared to support changes to supplier master files.
- One instance out of a sample of 14 where the New/Change of Supplier Details Form was not signed as evidence of review.
- Fourteen instances out of a sample of 14 where there was no evidence of an ABN verification check.

We however acknowledge that our testing to validate suppliers' information in the system did not identify any discrepancies.

**Rating: Moderate****Implication**

This may result in unauthorised or inaccurate supplier information being processed to the supplier modules giving rise to the risk of payments not being made to the appropriate supplier.

There is a further risk that unauthorised changes to supplier information is not identified and corrected.

**Recommendation**

We recommend that New/Change of Supplier Details Forms be completed for all amendments to the supplier data base with a requirement for a background check to be performed.

We further recommend that New/Change of Supplier Details Forms and Monthly Audit Trail report generated from the accounting system be reviewed on a regular basis and that this be evidenced either by being manually signed, or digitally signed by a senior employee of Council.

**Management comment**

*Monthly Audit reports have been run for the past several months now and are signed by the Manager Corporate Services with the CEO counter signing the reports. The opinion is held that the Shire does comply with the exception of confirming the ABN. However, a process has been put in place to ensure ABN lookup is completed prior supplier set up or amendment and a new supplier/Supplier Change of Details form is used. All changes to suppliers are now checked by the Corporate Service Officer, confirmed by Manager Corporate Services.*

**Responsible person:** CEO – Leonard Long  
**Completion date:** Process of being developed

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**7. Information and communication technology (ICT) disaster recovery plan****Finding**

The Shire does not have an ICT Disaster Recovery Plan in place.

**Rating: Moderate****Implication**

Without this plan in place, key risks to electronic data is not identified and safeguards are not put in place to minimise the risks. This will ultimately lead to loss of electronic data through cyber threats, damage to backed up data and/or damage to equipment.

**Recommendation**

The Shire should develop an ICT Disaster Recovery Strategy Plan identifying and documenting key ICT risks along with the treatments to reduce the risk to an acceptable level. The Shire should test the plan to ensure its effectiveness if an emergency or crisis situation occurs.

**Management comment**

*It is acknowledged that an ICT Disaster Recovery Plan is required and will be prepared and considered by Council within the current financial year.*

**Responsible person:** CEO – Leonard Long

**Completion date:** 2022/23 FNY

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**9. Corporate business plan expired**

**Finding**

We noted that the Corporate Business Plan expired in 2017 and has not been updated.

**Rating: Moderate**

**Implication**

This is not in accordance with section 19DA (1) and (2) the Local Government (Administration) Regulations 1996 which requires a local government to prepare a corporate business plan which is to cover at least 4 financial years.

**Recommendation**

We recommend that the Corporate Business Plan is updated to cover the next 4 financial years in accordance with section 19DA (1) and (2) the Local Government (Administration) Regulations 1996.

**Management comment**

*The Shires Integrated Strategic Plan 2023 – 2033 which incorporates the Corporate Business Plan was adopted by Council at its Ordinary Council Meeting of 16 November 2022*

**Responsible person:** CEO – Leonard Long

**Completion date:** 16 November 2022