

## SHIRE OF NUNGARIN

PERIOD OF AUDIT: YEAR ENDED 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. Payment listings	No	✓			
2. Construction of Assets Without Statutory Approvals and Potential Impairment	No	✓			
3. Authorisation of Payments by an Undelegated Officer	No	✓			
4. Delayed Removal of Former Bank Signatories	No	✓			
5. Risk Management Policy	No		✓		✓
6. Outdated Long Term Financial Plan	No		✓		
7. No Disaster Recovery Plan in place	No		✓		
8. Absence of an Asset Management Plan	No		✓		✓
9. Lack of IT Governance	No		✓		✓
10. Outdated Business Continuity	No		✓		✓
11. Lack of IT Risk register and periodic meetings for managing cybersecurity risks.	No		✓		✓
12. No change management process in place	No		✓		✓
13. Absence of IT and Security Related Training	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.

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**Minor -** Those findings that are not of primary concern but still warrant action being taken.

The ratings included are preliminary ratings and could be modified pending other findings being identified, rated and the consideration of them collectively on the ratings and any potential impact on the audit opinion.

**SHIRE OF NUNGARIN**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**1. Payment Listings**

**Finding:**

Audit noted that payroll payments made prior to December 2024 were not included in the Council payment listings, which is non-compliant with Local Government (Financial Management) Regulation 13(1). Additionally, certain direct debit transactions were also left out, as they were only identified after the payment reports had been presented to Council.

**Rating:** Significant

**Implication:**

The exclusion of payroll and direct debit transactions from payment listings presented to Council undermines financial transparency and accountability. This may result in breaches of statutory obligations, reduce the effectiveness of Council oversight, and expose the Shire to reputational and compliance risks.

**Recommendation:**

We recommend that management implement procedures to ensure all payroll and direct debit transactions are identified, reviewed, and included in payment listings prior to presentation to Council, in accordance with Regulation 13(1).

**Management's Comments:**

*Missed payments as noted during audit were submitted to Council during Council Meeting dated 21/05/2025, item 8.2 – Listing of payments for previous months, Resolution # 39/05/25.*

*Historically, payroll payments were not included in the Accounts Paid List submitted to Council and got introduced in Council Meeting 26/02/2025. Payroll payments from July to December were included in abovementioned Council Item.*

*A new procedure has been established for submitting the Accounts Paid List to Council. This procedure includes a dedicated 'Checks' section, designed to identify direct debits processed after the previous list was created ensuring they are appropriately included in the next Council Meeting submission.*

**Responsible Person: Selina Sergeant**

**Completion Date: 21/05/2025**

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**2. Construction of Assets Without Statutory Approvals and Potential Impairment**

**Finding:**

Audit noted that the CRC extension and caravan park ablution block were constructed without required statutory approvals. The former CEO allowed the works to proceed without a building permit, and no health or heritage approvals were obtained. A geotechnical report later confirmed structural issues due to ground movement. The ablution block was also built on a road reserve. The current CEO advised that LGIS may not cover damage from these unauthorised works, and rectification costs are yet to be confirmed.

**Rating:** Significant

**Implication:**

Carrying out construction without approvals breaches governance obligations under Sections 2.7(2)(a) and 5.41(d) of the Local Government Act 1995. The structural concerns and uncertain insurance cover indicate impairment risk under AASB 136, as the assets' future economic benefits may not be recoverable.

**Recommendation:**

We recommend the Shire assess these assets for impairment under AASB 136, disclose the matter in the financial report, and strengthen controls to ensure all statutory approvals are obtained before future capital works commence.

**Management's Comments:**

*Shire's CEO will review internal management procedures to comply with legislative requirements under the act. Additionally, an independent contractor will conduct an impairment review.*

**Responsible Person: David Nayda**

**Completion Date: 30/8/2025**

**SHIRE OF NUNGARIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****3. Authorisation of Payments by an Undelegated Officer****Finding:**

Audit noted that Leanne Parola (former CEO of the Shire of Trayning and Nungarin) authorised the release of funds on 10 occasions between August and October 2024, despite not being formally delegated authority through the Shire's delegation register or a Council resolution. While Leanne had temporarily acted as CEO for the Shire of Nungarin in August 2023, there was no current formal documentation authorising her to act in that capacity or as a signatory during the 2024 period. This arrangement was reportedly made due to staffing changes, with one authorised signatory resigning in July 2024 and the replacement not formally appointed until November 2024.

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

Authorising financial transactions without formal delegation contravenes the Local Government Act 1995 and may result in decisions being made without legal authority. This can expose the Shire to governance risks and questions regarding the validity of payments made.

**Recommendation:**

We recommend that management ensure all financial authorisations are exercised strictly in accordance with approved delegations. Any interim arrangements should be formally documented and endorsed by Council or the CEO under delegated powers.

**Management's Comments:**

*Future approval will be obtained either through a council resolution, which involves presenting the matter for discussion and vote during a scheduled council meeting, or by delegated authority from the CEO, who will review and authorize the decision based on established guidelines and regulations. This process ensures that all approvals are conducted transparently and in compliance with procedural requirements.*

**Responsible Person: David Nayda****Completion Date:1/11/2025**

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**4. Delayed Removal of Former Bank Signatories**

**Finding:**

Audit observed that the Shire had not reviewed or updated its bank signatory list for an extended period. Several former employees retained payment authorisation access after leaving the organisation, with some only being removed in February 2025. This included Leanne Parola, whose access was only revoked after her resignation from the Shire of Nungarin. A full review and clean-up of bank authorisations was undertaken by Selina Sergeant after her appointment.

**Rating:** Significant

**Implication:**

Failure to promptly remove former employees from bank signatory access increases the risk of unauthorised transactions and reflects weak oversight of financial controls. It also exposes the Shire to reputational and operational risk.

**Recommendation:**

We recommend that the Shire implement a periodic review process of bank signatories to ensure only current and appropriately delegated staff have access. Departing employees should be removed from all financial systems and banking platforms immediately upon resignation or termination.

**Management's Comments:**

*An Employee Exit Checklist was created and is to be completed upon resignation of any employee.*

*Amongst other items, the checklist refers to the removal of employees from any Shire account incl. the Shire's bank accounts.*

**Responsible Person: Selina Sergeant**

**Completion Date: 03/12/2024**

**SHIRE OF NUNGARIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****5. Risk Management Policy****Finding**

Audit noted that the Shire does not have a comprehensive Risk Management Policy in place, nor does it maintain a formal risk register. The current Policy Manual includes only policies related to Emergency Management and Occupational Safety and Health, which do not cover the broader principles of enterprise risk management.

**Rating: Moderate (2024: Moderate)**

**Implication**

Without a documented and structured approach to risk management, the Shire may be exposed to strategic and operational risks that are not properly identified, assessed, or mitigated. This increases the likelihood of disruptions to service delivery, financial loss, compliance breaches, and reputational damage. A well-implemented risk management framework supports good governance by providing reasonable assurance to Council and management that organisational objectives can be achieved within acceptable risk levels.

**Recommendation**

We recommend that the Shire develop and adopt a formal Risk Management Policy that defines its approach to identifying, managing, and reviewing risks. A risk register should also be established and maintained to ensure risks are appropriately monitored and mitigation strategies are in place.

**Management's Comments**

*The Shire acknowledges the importance of a comprehensive Risk Management Policy in fostering good governance and strategic resilience.*

*As part of the commitment to organisational improvement, the management team will initiate the development of a formal Risk Management Policy that encompasses enterprise-wide risk principles. This policy will align with best practices and include clear guidelines for risk identification, assessment, mitigation, and monitoring. Additionally, a robust risk register will be established to provide a structured mechanism for tracking risks and ensuring timely implementation of mitigation strategies.*

*The Council and management aim to ensure that all stakeholders are equipped with tools and frameworks necessary for a proactive approach to risk management.*

*To enhance transparency and collaboration, the Shire will involve relevant stakeholders throughout the policy development process. Regular training sessions will be conducted to familiarise staff and Council members with the new framework, empowering them to address risks effectively.*

*Periodic reviews of the risk management framework will be scheduled to adapt to evolving challenges and opportunities, ensuring the Shire remains resilient and adaptive.*

**Responsible Person: David Nayda**

**Completion Date: 30/4/2026**

**SHIRE OF NUNGARIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****6. Outdated Long Term Financial Plan****Finding:**

Audit noted that the Shire of Nungarin's Long Term Financial Plan (LTFP) has not been reviewed or updated in recent years and remains outdated. The current version does not reflect the Shire's recent financial position, key assumptions, or strategic priorities, which limits its relevance and effectiveness for long-term financial planning.

**Rating:** Moderate

**Implication:**

An outdated LTFP reduces the Shire's ability to make informed long-term decisions and compromises alignment with the Strategic Community Plan. It may also affect the Council's capacity to sustainably manage assets, forecast funding needs, and respond to emerging risks or opportunities.

**Recommendation:**

We recommend that the Shire review and update its Long Term Financial Plan to reflect current assumptions, financial forecasts, and community priorities. The updated plan should be integrated with the Asset Management Plan and reviewed on a regular basis.

**Management's Comments:**

*Provisions have been made within the 2025/26 budget to accommodate the necessary updates to the Long-Term Financial Plan (LTFP). These updates are intended to align with the Shire's Asset Management Plan and other strategic priorities, ensuring a cohesive approach to financial planning.*

*Given the interdependence between the Asset Management Plan and the LTFP, it is crucial to finalize the Asset Management Plan first. Once this foundational step is completed, the Shire will be able to proceed with revising the LTFP, addressing current financial assumptions, forecasts, and community priorities.*

*This integrated process aims to improve long-term decision-making and enhance the Shire's resilience in managing assets and responding to potential risks or opportunities.*

**Responsible Person: David Nayda**

**Completion Date: March 2026**

**SHIRE OF NUNGARIN**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**7. No Disaster Recovery Plan in place**

**Findings:**

The Shire does not have a formalised Disaster Recovery Plan (DRP).

**Risk: Moderate**

**Implication:**

The absence of a DRP poses a significant risk to business continuity. Without documented procedures, the Shire is vulnerable to prolonged downtime, potential loss of critical data, and financial repercussions.

**Recommendation:**

The Shire needs to develop a comprehensive DRP outlining clear procedures for data backup, system recovery, and business continuity.

**Management's Comments:**

*The Shire is actively collaborating with a specialized contractor to address all IT-related concerns and ensure comprehensive solutions are implemented. This includes identifying vulnerabilities, enhancing system resilience, and establishing protocols that safeguard critical operations against potential disruptions.*

**Responsible Person: David Nayda**

**Completion Date: May 2026**

**SHIRE OF NUNGARIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****8. Absence of an Asset Management Plan****Finding:**

Audit noted that while the Shire of Nungarin has an adopted Asset Management Policy, it does not have a current Asset Management Plan (AMP) in place. The policy outlines the Shire's intent and principles for managing its assets but does not contain specific data, strategies, or forecasts for the renewal, maintenance, and replacement of assets as required under the Integrated Planning and Reporting Framework.

**Rating:** Moderate (2024: Moderate)

**Implication:**

Without a formal Asset Management Plan, the Shire lacks a structured approach to managing its infrastructure and other assets over the medium to long term. This increases the risk of unplanned asset failures, inefficient use of resources, and inability to meet service delivery expectations or align with long-term financial planning.

**Recommendation:**

We recommend that management develop and implement an Asset Management Plan in alignment with the Asset Management Policy. The AMP should detail asset condition, service levels, lifecycle costs, renewal and upgrade priorities, and should integrate with the Long Term Financial Plan.

**Management's Comments:**

*The Shire is actively working on developing an Asset Management Plan (AMP) to coincide with the Long-Term Financial Plan, recognizing that both frameworks need to operate in tandem to ensure the efficient management of resources and infrastructure.*

*By aligning these plans, the Shire aims to create a cohesive strategy that addresses asset conditions, lifecycle costs, and service levels while integrating financial sustainability and renewal priorities. This unified approach will enable the Shire to better meet service delivery expectations, minimize unplanned asset failures, and optimize resource use in the medium to long term.*

**Responsible Person: David Nayda**

**Completion Date: May 2026**

**SHIRE OF NUNGARIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****9. Lack of IT Governance****Finding**

The Shire has neither implemented IT-related policies nor has an IT strategic plan in place and procedures. The Shire also lacks a system for classifying IT assets based on their sensitivity and criticality levels.

**Rating: Moderate (2024: Moderate)****Implication:**

The Shire's lack of established IT policies and procedures creates inconsistency and security vulnerabilities. Without an IT strategic plan, resource allocation becomes ad hoc, hindering efficiency and goal achievement. Failure to classify IT assets by importance may misallocate resources, increasing the risk of security breaches for critical assets.

**Recommendation:**

To enhance IT governance, the Shire should develop and implement IT policies covering data security, access control, password management, backup plans, incident response, and system maintenance. Simultaneously, creating an IT strategic plan aligned with business objectives will optimise resource allocation and long-term goal achievement. Implementing an asset classification framework based on sensitivity and criticality assessments will ensure effective security resource allocation, including access controls and monitoring protocols, all subject to regular updates to adapt to evolving needs and risks. This proactive approach will mitigate security risks efficiently.

**Management's Comments**

*The Shire is actively collaborating with its IT service provider to implement a comprehensive suite of policies tailored to the unique needs of the Shire. This initiative seeks to address critical aspects such as data security protocols, robust access control measures, effective password management strategies, regular backup plans, swift incident response procedures, and ongoing system maintenance.*

*By ensuring these policies are systematically developed and applied, the Shire aims to foster a secure, consistent, and well-governed IT environment that meets its operational demands.*

**Responsible person: David Nayda****Completion date: May 2026**

**SHIRE OF NUNGARIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****10. Outdated Business Continuity Plan****Finding**

The Shire currently lacks a structured and up-to-date Business Continuity Plan (BCP). The existing BCP was last updated in 2018 and does not adequately address current potential disruptions or events.

**Rating: Moderate (2024: Moderate)**

**Implication**

An outdated BCP leaves the Shire vulnerable to extended downtime, data loss, financial setbacks, and potential legal or regulatory consequences. An up-to-date BCP is essential to safeguard the Shire's resilience and ensure continuity of operations during unforeseen disasters or disruption.

**Recommendation:**

The Shire should update its Business Continuity Plan (BCP) to reflect current operational risks and ensure it includes comprehensive strategies for maintaining essential services in the face of potential disruptions.

**Management's Comments**

*The Shire is actively working on improving its preparedness by updating its Business Continuity Plan (BCP), which is essential for ensuring resilience during disruptions. As part of this effort, the Shire is also aligning its disaster recovery plan with the updated BCP. The integration of the disaster recovery plan will ensure a holistic approach to maintaining critical operations and protecting data and services during unforeseen events. By combining these efforts, the Shire aims to create a robust framework that not only addresses operational risks but also enhances its ability to adapt to evolving challenges and emergencies effectively.*

**Responsible person: David Nayda**

**Completion date: March 2026**

**SHIRE OF NUNGARIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****11. Lack of IT Risk register and periodic meetings for managing cybersecurity risks.****Findings**

There is no IT risk register in place to identify potential risks. The Shire also does not regularly convene meetings to address and oversee cybersecurity risks.

**Rating: Moderate (2024: Moderate)****Implication:**

The absence of an IT Risk register means that the Shire is not proactively identifying, assessing, and mitigating risks, leaving it vulnerable to unexpected threats. The lack of regular cybersecurity risk management meetings suggests insufficient attention to monitoring, addressing, and adapting to evolving cybersecurity threats.

**Recommendation:**

The Shire should develop and maintain an IT risk register to identify, assess, and prioritise potential risks. This will enable proactive risk management and mitigation strategies. The Shire should organise regular cybersecurity risk management meetings to assess current risks, discuss mitigation strategies, and stay updated on emerging threats and best practices.

**Management's Comments**

*When new cybersecurity risks come to the attention, staff are made aware of them either by informative emails or conversations held in the office regarding i.e. voice impersonation of managers requesting payments to be made, dubious emails received from organisations, mostly other Shires, requesting to open an attached file, etc.*

*A dedicated section called "Social Engineering Fraud" is added to the Creditor Procedure Manual referring to scams, requests for bank detail changes, etc. and what actions to take.*

*The Shire has been collaborating with its IT provider to work on a comprehensive risk register aimed at identifying, assessing, and addressing potential IT risks. In addition to this, plans are being developed to hold regular meetings with the IT provider. These meetings will focus on reviewing current cybersecurity concerns, discussing mitigation strategies, and ensuring that the Shire remains prepared to tackle emerging threats in the cybersecurity landscape. This proactive approach is expected to significantly enhance the Shire's ability to manage risks effectively and maintain operational integrity.*

**Responsible person: David Nayda****Completion date: December 2026**

**SHIRE OF NUNGARIN**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025**

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**12. No change management process in place**

**Findings**

There is currently a lack of a structured change management process established within the Shire.

**Rating: Moderate (2024: Moderate)**

**Implication:**

The lack of a change management process may result in uncontrolled changes to IT systems, increasing the risk of system disruptions and security vulnerabilities.

**Recommendation:**

The Shire should establish a formal change management process to document, review, and approve all changes to IT systems. This will help minimise disruptions and maintain system integrity.

**Management's Comments**

*As discussed with Hrithik, an Employee Exit Checklist has been implemented which now has a signature section for Preparer and Reviewer.*

*An IT Access Request form has also been implemented which is to be completed for any staff or contractor requesting access to Shire Software, to be signed by David (Chief Executive Officer).*

**Responsible person: Selina Sergeant**

**Completion date: 19/06/2025**

**SHIRE OF NUNGARIN****PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****13. Absence of IT and Security Related Training****Finding**

The Shire's employees are currently not receiving the necessary training in the fields of IT and security, leading to a deficiency in relevant knowledge and skills.

**Rating: Minor (2024: Minor)****Implication:**

The absence of IT and security-related training for staff leaves the Shire vulnerable to potential security breaches and exposes the Shire to higher risks of cyber threats. Without adequate training, employees may not have the knowledge and skills to recognise and respond to security incidents, making them more susceptible to phishing attacks, malware infections, and other cybersecurity risks.

**Recommendation:**

The Shire should prioritise implementing regular IT and security training programs for all staff members. This training should cover essential topics such as cybersecurity best practices, recognising phishing attempts, password management, and data protection. The Shire can significantly enhance its overall security posture and reduce the likelihood of successful cyberattacks by providing staff with the necessary knowledge and skills.

**Management's Comments**

*The Shire is currently collaborating with its IT provider to create a comprehensive plan for addressing staff training deficits. This initiative aims to ensure that employees are equipped with the necessary knowledge to navigate cybersecurity challenges effectively. By working closely with industry experts, the Shire intends to implement tailored training programs that focus on critical areas such as recognising phishing attempts, secure password practices, and data protection protocols. This proactive approach will bolster the organisation's resilience against cyber threats and foster a culture of vigilance and competence among staff.*

**Responsible person: David Nayda****Completion date: May 2026**