

NAME OF ENTITY: SHIRE OF NUNGARIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Current Year Findings			
1. Financial Management System (Synergy) Access	✓		
2. Quotations – Minimum Number Not Obtained	✓		
3. Purchase Orders		✓	
4. Employment Contract			✓
Prior Year Finding			
5. Changes to Employee Masterfiles		✓	

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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1. Financial Management System (Synergy) Access

Finding

Based on our review of user access levels in the financial management system (Synergy), we noted all users have super user access.

We understand that the Shire provided staff with this privileged access for practicality reasons.

Rating: Significant

Implication

Excessive user access to the financial management system increases the risk that the system is used inappropriately. For example, this access could be used to undermine the effectiveness of system controls (such as segregation of duties) and diminish accountability.

Recommendation

The Shire should:

- (i) restrict super access levels to only a small number of users;
- (ii) restrict access to enquiries only for all other staff not authorised to make and/or amend any changes in the system.
- (iii) regularly review staff access to certain modules and to ensure duties remain effectively segregated and tasks can be completed effectively and efficiently.

Management Comment

The list of staff on the synergy system include past staff, while they are still listed they have been made inactive. The Shire's IT consultant has advised the names cannot be deleted as that will result in files allocated to individuals no longer being accessible.

Currently the only active staff (x4) are super users.

Responsible Person: Chief Executive Officer

Completion Date: 9/11/2021

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2. Quotations – Minimum Number not Obtained

Finding

Based on our purchases testing, we noted approximately 11% of purchase transactions sampled did not have a sufficient numbers of supplier quotes as required under the Shire's purchasing policy. In addition. there was no documentation to explain why other quotes were not sought.

These instances were for the period between July – November 2020. We note that a quote declaration form was implemented from December 2020 onwards

**Rating: Significant
Implication**

Non-compliance with the internal purchasing policy increases the risk of breaching Part 4 of the Local Government (Functions and General) Regulations 1996 and regulation 11A (3)(b) of the Local Government (Finance and General ledger) Regulations.

It also increases the risk that its purchases may not achieve the best value for money outcomes.

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

A process has now been implemented that requires quotes or proof of quotes requested or an explanation why quotes were not requested to be placed on the quotation register.

**Responsible Person: Chief Executive Officer
Completion Date: 9/11/21**

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3. Purchase Orders

Finding

During our sample testing of payments made during the year, we identified the following:

- 2 supplier invoices where we could not obtain evidence of a purchase order being raised
- 1 invoice where the Purchase Order raised did not include an amount and
- 1 purchase where the purchase order was raised after the invoice was received.

Our payments testing did not identify any anomalies from December 2020 onwards.

Rating: Moderate

Implication

A purchase order is a key control which ensures that goods are correctly and appropriately ordered and received. Non-purchase order-based transactions carry additional risks and there is no evidence that the ordering of goods or services was approved prior to ordering.

Recommendation

For all items that require a purchase order, the Shire should ensure that all purchase orders are appropriately raised and approved prior to ordering goods or services.

Management Comment

A procedure has been implemented and all staff with authority to sign purchase orders made aware that purchase orders are required to be issued prior to invoices being received. Although allowances are made for purchase order values to be amended should the quoted amount be different to the purchase order. An example of this is were legal advice is requested a purchase order is created at the time of requesting the advice and would be amended to align with the invoice once received as there is no way we would know how long the advice would take to prepare and subsequently invoice amount.

Responsible Person: Chief Executive Officer

Completion Date:9/11/21

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4. Employment Contract

Finding

We noted that an employment contract for a recently departed staff member could not be located. We acknowledge that Shire attempted to contact the previous employee to obtain a copy of the employment contract.

Rating: Minor

Implication

Should a dispute arise in relation to the current year's payroll payments, the absence of an employment contracts may make it difficult to resolve the issue.

Recommendation

The Shire should improve its records management processes to ensure that employment contracts are appropriately retained on file.

For this employee, we recommend the Shire write a letter confirming the employee's pay details, including the allowances, and record this in the employee file.

Management Comment

A records management system through Synergy Soft has been installed and all records will be backed up electronically. Limited staff have access to the personal files being the Snr Finance Officer and CEO, the file that was missing was the previous CEO's file.

Responsible Person: Chief Executive Officer

Completion Date: 9/11/21

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Prior Year Finding

5. Changes to employee masterfiles

2021 Finding

During our sample testing, we noted the employee master file changes report was not generated for the pay period ending 19 August 2020 and no reports were generated for the period from 3 September 2020 until 11 November 2020.

The issue remains unresolved from 2020 Finding. However the supplier masterfile issue from 2020 finding is resolved.

2019 Finding

During our audit, we noted that exception reports, which highlight changes made to the employee and the supplier master files, are not being generated from the SynergySoft system and independently reviewed.

**Rating: Moderate
Implication**

Failure to generate and independently review SynergySoft exception reports, which detail all changes made to the master files, increases the risk of unauthorised changes being made or failure to quickly correct unintended errors.

Recommendation

The Shire should continue to produce exception reports from SynergySoft, which provide details of all changes to the master files for each pay period. The reports should be independently reviewed by an appropriate Officer.

Management Comment

The employee masterfiles for the aboved mentioned period and prior to the above mentioned date were not maintained. This has been recified from 12 November 2020 and employee masterfiles have since been maintained each pay period.

**Responsible Person: Chief Executive Officer
Completion Date: 9/11/21**