



Annual Financial Audit Exit Brief

Shire of Nungarin

Year Ended 30 June 2021

15 December 2021

1. Introduction

Our audit was designed to enable the Auditor General to provide an opinion to the Council of the Shire on the annual financial report of your Shire for the year ended 30 June 2021. The audit team have completed our audit and we intend to recommend to the Auditor General to issue an unqualified audit opinion which includes the reporting of material non-compliance matter, as detailed in Section 5 of this report.

The purpose of this brief is to advise management and audit committee of the results of our audit and provide the opportunity to discuss the key issues prior to the issuing of the audit opinion.

2. Audit Coverage of Key Controls

As indicated in our Planning Summary presented at the entrance meeting, we tested the key controls within the Revenue, Expenditure, Payroll, Cash and Bank and Property, Plant, Equipment and Infrastructure business cycles.

In addition, key areas of information systems controls were reviewed.

3. Issues Identified During the Audit

The following is a summary of the key issues identified during the audit. Detailed audit findings and recommendations for improvement have been discussed with your management.

FINDINGS	RATING		
	<i>Significant</i>	<i>Moderate</i>	<i>Minor</i>
Interim audit (Current Year)			
1. Financial Management System (Synergy) Access	✓		
2. Quotations – Minimum Number Not Obtained	✓		
3. Purchase Orders		✓	
4. Employment Contract			✓
Interim audit (Prior Year)			
5. Changes to Employee Masterfiles		✓	
Final audit			
1. Asset Renewal Funding Ratio	✓		

4. Audit Outcomes Relating to Risks Identified During our Audit Planning

During the planning phase of the audit, we identified the following issues and key areas of audit risk. The audit outcomes for these matters are listed below:

Details of Risk / Issue	Audit Outcomes
Change of auditor – there are inherent risks associated with a change of auditor, and the Australian Auditing Standards also have requirements in this regard.	We consulted with the previous auditor and reviewed their working papers. During the interim audit, we gained an understanding of your business and related practices and controls. We also performed testing on the opening balances for 2020-21. No issues were identified.
Audit findings reported in the previous audit: <ul style="list-style-type: none"> • Changes to employee and supplier masterfiles 	We reviewed the status of the previously reported issue and noted that the issue relating to the supplier masterfile issue was resolved. However, the issue relating to the employee masterfile remains.
Key changes to accounting standards that may impact your Shire: <ul style="list-style-type: none"> • <i>AASB 1059 Service Concession Arrangements - Grantors</i> 	We reviewed management's assessment of the impact of the new standard, AASB 1059 Service Concession Arrangements. We confirm that this standard had no material impact on the financial report.
Important changes in management or the control environment.	We reviewed relevant changes to management roles and related delegations and confirmed that no temporary or ongoing control gaps have occurred except as noted in 2021 Findings in Section 3 of this report.
The following annual financial report items were derived from accounting estimates and hence received specific audit attention: <ul style="list-style-type: none"> • Provision for annual and long service leave • Fair value of assets • Impairment of assets 	We have reviewed the method and underlying data that management used when testing the accounting estimates. The assumptions made in the calculations appear to be reasonable.

Details of Risk / Issue	Audit Outcomes
<p>We had identified following areas that we considered require additional focus during our 2020-21 local government audits:</p> <ul style="list-style-type: none"> • Joint arrangements • Development costs • Related party disclosures • Landfill Rehabilitation • Unauthorised Expenditure 	<p>The Shire does not have joint arrangements during the year.</p> <p>The Shire does not have development contributions during the year.</p> <p>We reviewed the related party disclosures note in the financial report and confirmed that the information disclosed is appropriate and reasonable.</p> <p>We have reviewed the Shire's assessment and confirmed that there was no requirement for a provision or contingent liabilities to be disclosed in the financial report.</p> <p>We did not identify unauthorised expenditure from our sample testing of payments made.</p>

5. Report on Other Legal and Regulatory Requirements

In accordance with the *Local Government (Audit) Regulations 1996*, the Auditor General will report that:

- (i) The following material matters indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:
 - a) The Shire has not reported the Asset Renewal Funding Ratio for 2021 in the annual financial report as required by section 50(1)(c) of the Local Government (Financial Management) Regulations 1996, as information on planned capital renewals and required capital expenditure was outdated;
 - b) For approximately 11% of transactions sampled, the Shire did not have a sufficient number of supplier quotes as required under the Shire's purchasing policy or there was no documentation to explain why other quotes were not sought.; and
 - c) All users of the Shire's financial management system (Synergy) have privileged (super user) access levels. This access could be used to undermine the effectiveness of system controls (such as segregation of duties) and diminish accountability.
- (ii) All required information and explanations were obtained by me.
- (iii) All audit procedures were satisfactorily completed.
- (iv) In my opinion, the asset consumption ratio included in the annual financial report was supported by verifiable information and reasonable assumptions.

6. Unadjusted Errors in the Financial Statements

There are no material errors and misstatements identified in the financial statements during our audit which have not been adjusted.

7. Variations to the Indicative Audit Fee

We are pleased to advise that there will be no variation to the indicative audit fee.

8. Actions or Issues for Next Year's Audit

We will assess the impact to the 2021-22 annual financial report following the implementation of the amendments to the Australian Accounting Standard:

- AASB 2020-1 Classification of Liabilities as Current or Non-current
- AASB 2020-3 Annual Improvements 2018-2020 and Other Amendments
- AASB 2021-2 Disclosure of Accounting Policies or Definition of Accounting Estimates