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Annual Audit Completion Report

Accounting
Business Advisory
Audit Services



Office of the Auditor General
Serving the Public Interest



DRY / KIRKNESS

Shire of Nungarin

30 June 2024

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OAG
Office of the Auditor General
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Introduction

FROM OUR ENGAGEMENT PARTNER

Shire of Nungarin for the year ended 30 June 2024.

We would like to take this opportunity to thank the management team for their assistance during the audit process. If you have any queries on the report, please feel free to contact me.



ROBERT HALL **DIRECTOR**

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INDIKA DIAS **ASSISTANT DIRECTOR**

OAG Representative
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Executive Summary

- + Butler Settineri (Audit) Pty Ltd was appointed as the contract auditor by the Office of the Auditor General for the years ended 30 June 2022, 2023, and ending 2024 and have changed names to Dry Kirkness (Audit) Pty Ltd on 1 July 2022.
- + Dry Kirkness (Audit) Pty Ltd has completed the external statutory audit for the year ended 30 June 2024 as contract auditor on behalf of the Office of the Auditor General.
- + No unresolved issues.
- + Our findings are included in this report.
- + We intend to recommend to the Auditor General to issue an unqualified audit opinion in relation to the financial statements.
- + The first set of financials were received by audit on 30 September 2024 and was certified by the CEO and was audit ready. This detail will be included in the OAG's Local Government results report to be tabled in Parliament. Audit ready means having full and complete financial statements (including disclosure notes).
- + The management letter with comments and updated set of financials and OAG final review of outstanding are still pending.

Independence

We are independent of the Shire in accordance with the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.

Threats to independence include the following:

- + Self Interest Threats
- + Self Review Threats
- + Advocacy Threats
- + Familiarity Threats
- + Intimidation Threats

What we do to remain independent:

- + All team members sign an independence declaration at the commencement of the audit;
- + We monitor our individual independence throughout the audit;
- + All team members sign off an independence declaration at the completion of the audit.

Compliance With Laws & Regulations & Fraud

Laws and Regulations applicable to the Shire include the following:

- + Local Government Act 1995;
- + Local Government (Financial Management) Regulations 1996;
- + Local Government (Audit) Regulations 1996;
- + Australian Tax Office (GST / FBT / PAYG) Compliance;
- + Compliance with conditions of program funding arrangements.

During the audit process there have been:

- + Non-compliance issues reported in the audit findings where applicable.
- + No findings or indications of suspected fraud.

As far as the external audit relates to the matters noted above.



Key Audit Matters and Audit Outcomes

During the planning phase of the audit, we identified the following issues and key areas of audit risk.

Details of Risk / Issue	Audit Approach
<p>One significant and eight moderate findings reported in the previous audit.</p> <ul style="list-style-type: none"> • Procurement practices • Excessive Superuser Access • Supplier Masterfile Amendments • Fair Value of Land and Building and Infrastructure Assets • Payroll practices • Bank reconciliations • Risk Management Policy • Asset Management Plan • Lack of IT Governance • No Business Continuity Plan and Disaster Recovery Plan • Lack of IT Risk register and periodic meetings for managing cybersecurity risks • No change management process in place • No Service Level Agreement with IT Service Provider • Absence of IT and Security Related Training 	<p>We followed up on the resolution of issues reported in last year's audit.</p>
<p>We have identified the following areas that we consider require additional focus during our 2023-24 local government audits:</p> <ul style="list-style-type: none"> • Revenue recognition, including contract liabilities • Unauthorized expenditure • Unrecorded liabilities and expenses • Fictitious employee payments • Related party disclosures • Joint arrangement disclosures 	<p>We reviewed the accounting treatment and disclosure processes during our interim and final audits. We ensured the disclosures in the annual financial report are appropriate and comply with the requirements of the Australian accounting standards.</p> <p>For related party disclosures, we made enquiries to understand the process for</p>

- Contingent liabilities disclosures
- Restricted reserve accounts
- IT Environment and Controls

identification of related parties, reviewed the signed related party transaction declarations from key management personnel (both current and departed), and assessed whether the disclosures made in the notes to the annual financial report are appropriate.

For joint arrangement disclosures, we reviewed if there are any new joint arrangements entered into during the year and assessed their disclosures in the annual financial report.

For contingent liabilities disclosures, the Shire has listed several sites to be possible sources of contamination, which are disclosed as contingent liabilities on the financial report. We enquired with management for any contingent liabilities existing at reporting date and ensure appropriate disclosure in the annual financial report for identified contingent liabilities.

For restricted reserve accounts, we reviewed the movements within the restricted reserve accounts, ensure that transfers out are used in accordance with the intended purpose of the respective reserve and agree to adequate supporting documents.

ASA 315 Identifying and Assessing the Risks of Material Misstatement includes obtaining an understanding of the IT environment and system controls that support the preparation of the financial report. In accordance with ASA 315, we issued our revised IT Checklist to the Shire and reviewed their responses in respect of any changes

	<p>since the prior year, to ensure the Shire's information system remains relevant to the preparation of the financial report. We also identified IT controls which address significant risks of material misstatement in the IT environment, such as controls over journal entries, and tested the IT controls to ensure that they are operating effectively.</p>
<p>The following annual financial report items are derived from accounting estimates and will receive specific audit attention:</p> <ul style="list-style-type: none"> • Fair value of PPE and Infrastructure <ul style="list-style-type: none"> o PPE last revalued in 2021-22 o Infrastructure (other) last revalued in 2021-22 o Infrastructure - Roads and Footpaths last revalued in 2018-19. • Impairment of assets • Provision for annual and long service leave • Provision for rehabilitation of waste disposal sites (if any, at year end) 	<p>We reviewed the methodology and underlying data that management used when determining critical accounting estimates. We confirmed the reasonableness of the assumptions and corroborating representations.</p>
<p>Important changes in management or the control environment</p>	<p>We reviewed all relevant changes to management roles and related delegations to confirm that no temporary or ongoing control gaps occurred.</p>

Audit Misstatements

The following misstatement was adjusted by the management:

<i>Financial Statement Line Items</i>	<i>Difference</i>
Capital Grants, Subsidies and Contributions	\$41,620
Other Liabilities	(\$41,620)
<i>Adjustment to correct contract liability at 30 June 2024</i>	

The effects of uncorrected misstatements are listed below and are immaterial, both individually and in the aggregate, to the financial report taken as a whole.

<i>Financial Statement Line Items</i>	<i>Unadjusted Difference</i>
Other Revenue	\$56,452
Other Expenditure	(\$56,452)
<i>Adjustment to correct the overstated revenue and expenditure in relation to fees collected on behalf of Department of Transport.</i>	

Audit Findings

As per the Interim and Final Management Letter:

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
Audit Findings					
1. Procurement Practices	No		✓		✓
2. Outdated compliance documents	No		✓		
3. Risk Management Policy	No		✓		✓
4. Asset Management Plan	No		✓		✓
5. Payrate difference between Payslip and Contract	No		✓		
6. Employment contract signed after start date	No		✓		
7. Supplier Masterfile	No		✓		✓
8. Fees collected on behalf of Department of Transport (DoT)	No		✓		
IT Related issues					
9. Excessive Superuser Access	No	✓			✓
10. Lack of IT Governance	No		✓		✓
11. No Business Continuity Plan and Disaster Recovery Plan	No		✓		✓
12. Lack of IT Risk register and periodic meetings for managing cybersecurity risks	No		✓		✓
13. No change management process in place	No		✓		✓
14. No Service Level Agreement with IT Service Provider	No		✓		✓
15. Absence of IT and Security Related Training	No			✓	✓

Key Changes For Next Year

Accounting Issues for 2025

- + None anticipated that would have a significant impact on the financial statements for the year ending 30 June 2025.

Financial Statements receipt date

- + We received your financial statements on 30 September 2024 and were ready for audit on 30 September 2024.

These details will be included in our Local Government's Audit Result Report to be tabled in Parliament.

Thank You

We would like to take this opportunity to once again thank the management team for their assistance during the audit process, in particular we would like to thank David Nayda and the finance team for their support.





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