



AGENDA

25th of October 2023

AUDIT COMMITTEE MEETING

To be held at the Shires Administration Building situated at Gascoyne Junction
commencing at 1:00pm

DISCLAIMER

Disclaimer

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Please note this agenda contains recommendations which have not yet been adopted by Council.

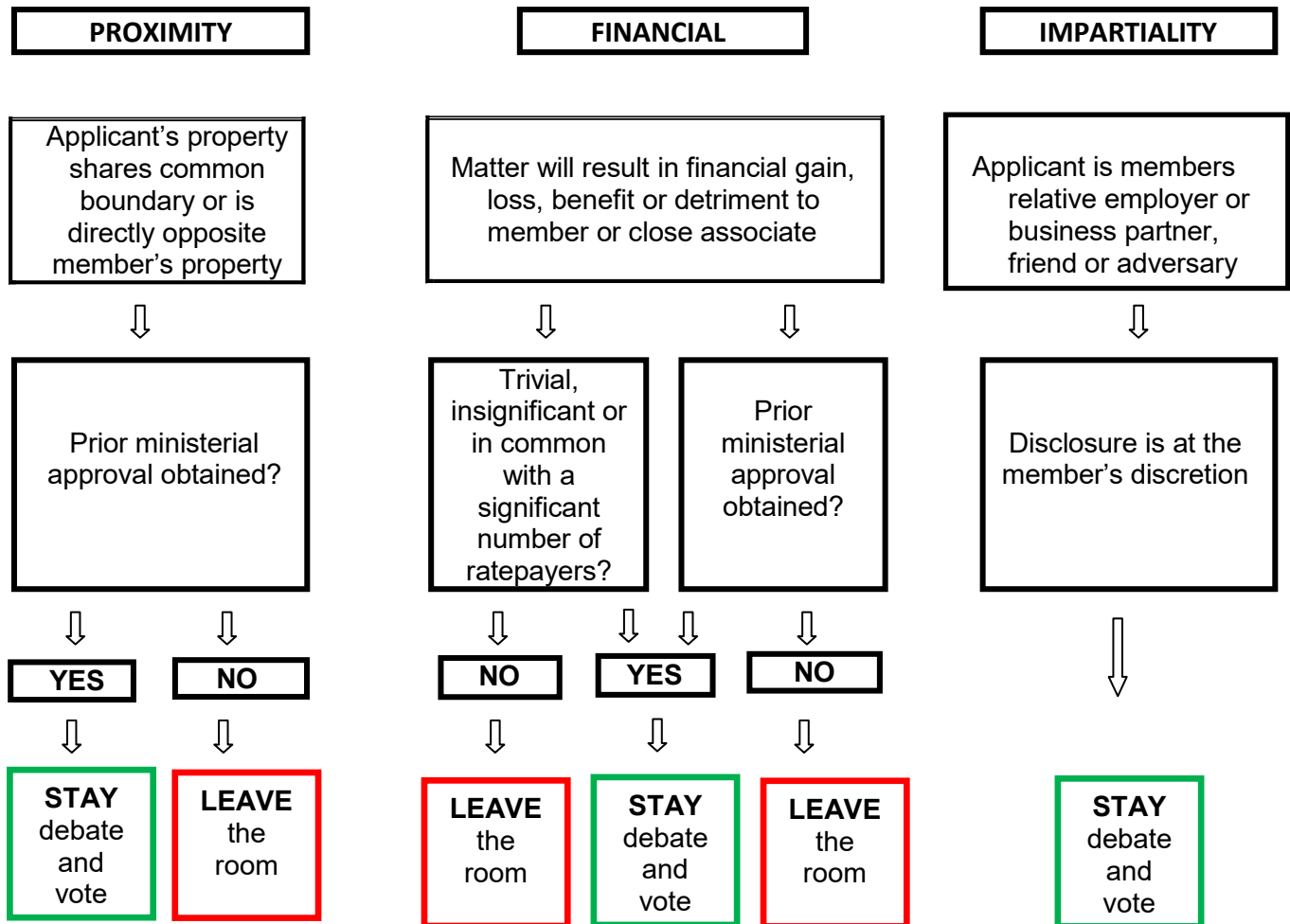
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John McCleary, JP
CHIEF EXECUTIVE OFFICER

* Declaring an Interest



Local Government Act 1995 - Extract

5.65 - Members' interests in matters to be discussed at meetings to be disclosed.

(1) A member who has an interest in any matter to be discussed at a council or committee meeting that will be attended by the member must disclose the nature of the interest:

(a) in a written notice given to the CEO before the meeting; or (b) at the meeting immediately before the matter is discussed. (Penalties apply).

(2) It is a defense to a prosecution under this section if the member proves that he or she did not know:

(a) that he or she had an interest in the matter; or (b) that the matter in which he or she had an interest would be discussed at the meeting.

(3) This section does not apply to a person who is a member of a committee referred to in section 5.9(2)(f).

5.70 - Employees to disclose interests relating to advice or reports.

(1) In this section: 'employee' includes a person who, under a contract for services with the local government, provides advice or a report on a matter.

(2) An employee who has an interest in any matter in respect of which the employee is providing advice or a report directly to the council or a committee must disclose the nature of the interest when giving the advice or report.

(3) An employee who discloses an interest under this section must, if required to do so by the council or committee, as the case may be, disclose the extent of the interest. (Penalties apply).

5.71 - Employees to disclose interests relating to delegated functions.

If, under Division 4, an employee has been delegated a power or duty relating to a matter and the employee has an interest in the matter, the employee must not exercise the power or discharge the duty and:

(a) in the case of the CEO, must disclose to the mayor or president the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter; and (b) in the case of any other employee, must disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter. (Penalties apply).

'Local Government (Administration) Regulations 1996 – Extract

In this clause and in accordance with Regulation 34C of the Local Government (Administration) Regulations 1996:

"Interest" means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.



SHIRE OF UPPER GASCOYNE
AGENDA FOR THE AUDIT MEETING OF COUNCIL TO BE HELD AT GASCOYNE JUNCTION
SHIRE OFFICES ON WEDNESDAY THE 25th OF OCTOBER 2023 AT 1:00PM

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SHIRE OF UPPER GASCOYNE
AGENDA FOR THE AUDIT MEETING OF COUNCIL TO BE HELD AT GASCOYNE JUNCTION SHIRE
OFFICES ON WEDNESDAY THE 25th of OCTOBER 2023 AT 1:00PM

1. DECLARATION OF OPENING / ANNOUNCEMENTS OF VISITORS

The President welcomed those present and declared the meeting open at am

2. APOLOGIES AND APPROVED LEAVE OF ABSENCE

2.1 Councillors

Cr B. Walker Councillor

Staff

John McCleary JP Chief Executive Officer
Andrea Pears Manager of Finance and Corporate Services

Visitors (attending via Teams link up)

Xuan Shan Ong Assistant Director Financial Audit, Office of the Auditor
General

Conley Manifis Audit Director, William Buck
Kuan Yin Lau Manager, William Buck
Rebekah Bissett Accountant, William Buck
Travis Bate Principal Accountant, RSM Australia Pty Ltd

2.2 Absentees

2.3 Leave of Absence previously approved

Cr A. McKeough

3. APPLICATION FOR LEAVE OF ABSENCE

Nil

4. PUBLIC QUESTION TIME

4.1 Questions on Notice

Nil

4.2 Questions without Notice

Nil

5. DISCLOSURE OF INTEREST

Nil

6. PETITIONS/DEPUTATIONS/PRESENTATIONS

Nil

7. ANNOUNCEMENTS BY THE PERSON PRESCIDING WITHOUT DISCUSSION

Nil

8. MATTERS FOR WHICH THE MEETING MAY GO BEHIND CLOSED DOORS

Nil

9. CONFIRMATION OF MINUTES FROM PREVIOUS MEETINGS

Committee Resolution No: AC 01102023

MOVED:

SECONDED:

That the minutes from the previous Audit Committee Meeting held on the 26th April 2023 are a true and correct record.

FOR: CR

AGAINST: CR

F/A: 0/0

10. REPORTS OF OFFICERS

10.1 EXIT MEETING WITH OFFICE OF THE AUDITOR GENERAL – AUDIT CONCLUDING YEAR ENDING 30 JUNE 2023	
Applicant:	Shire of Upper Gascoyne
Disclosure of Interest:	Nil
Author:	Andrea Pears – Manager, Finance & Corporate Services William Buck Auditors & Office of the Auditor General (OAG)
Date:	19 th October 2023
Matters for Consideration:	<p>To conduct an exit meeting via online zoom meeting or teleconference with the Director of Financial Audits, Xuan Shan Ong from the Office of the Auditor General (OAG), Conley Manifis and Kuan Yin Lau from William Buck and members of the Shire’s Audit Committee.</p> <p>Items noted for discussion by the Shire of Upper Gascoyne’s Auditors are outlined in the Agenda provided by William Buck at Appendix 1 and include the following:</p> <ul style="list-style-type: none">The Financial Statements for the Year ended 30 June 2023 – an unqualified opinion will be recommended. <p>Please reference the attached Shire of Upper Gascoyne Report to the Audit Committee from William Buck and the OAG for the Year ended 30 June 2023 as contained in Appendix 2.</p> <ul style="list-style-type: none">Controls and Legal Compliance Issues – refer to the attached Management Letter under Appendix 3 and

	<p>note that these matters have already been discussed with and addressed by Shire management staff.</p> <ul style="list-style-type: none"> Any pending matters and actions for Next Year's Audit – Fair Value of Infrastructure Assets noted. 				
Background:	<p>Prior to finalising the annual audit process, the OAG conduct a concluding (Exit) audit meeting with the Shire's Audit Committee. This provides an opportunity to present an overview of their findings and receive feedback.</p>				
Comments:	<p>The Shire of Upper Gascoyne Report to the Audit Committee and the Final Management Letter is now presented to the Audit Committee for their information.</p>				
Statutory Environment:	<p>Local Government Act 1995 – Division 3 – Conduct of Audit Local Government (Financial Management) Regulations 1996, Part 4, section 6.4</p>				
Policy Implications:	<p>Nil</p>				
Financial Implications:	<p>Nil</p>				
Strategic Implications:	<p>Civic Leadership – To responsibly manage Council's financial resources to ensure optimum value for money and sustainable asset management.</p>				
Risk:					
Risk	Risk Likelihood (based on history and with existing controls)	Risk Impact / Consequence	Risk Rating (Prior to Treatment or Control)	Principal Risk	Risk Action Plan (Controls or Treatment proposed)
Not meeting Statutory Compliance	Rare (1)	Moderate (3)	Low (1-4)	Failure to meet Statutory, Regulatory or Compliance Requirements	Accept Officer Recommendation
Consultation:	<p>Various discussions have taken place between the Shire's Management team, the Principal Accountant from RSM, the Auditors from William Buck and the OAG during the process undertaken for the 2022/23 Audit.</p>				
Voting requirement:	<p>Simple Majority</p>				
Officer's	<p><i>That the Audit Committee –</i></p>				

Recommendation:	<ol style="list-style-type: none"> 1. Receive the Shire of Upper Gascoyne Report presented to the Audit Committee by the William Buck Auditors and the OAG, for the year ended 30 June 2023 as contained in Appendix 2. 2. Receive the Final Management Letter for the year ended 30 June 2023 as contained in Appendix 3. 		
Committee Resolution No: AC 02102023			
MOVED:		SECONDED:	
FOR:		AGAINST:	
F/A: 0/0			

11. MEETING CLOSURE

The Shire President closed the meeting at _____pm.

APPENDIX 1

(Exit Meeting Agenda)

Exit Meeting

ANNUAL FINANCIAL AUDIT OF SHIRE OF UPPER GASCOYNE FOR THE YEAR ENDED 30 JUNE 2023

ATTENDEES:

Shire of Upper Gascoyne

Cr. James Caunt	Councillor – Audit Committee Member
Cr. Blanche Walker	Councillor – Audit Committee Member
John McCleary	Chief Executive Officer
Andrea Pears	Manager, Finance & Corporate Services
Travis Bates	RSM Australia Pty Ltd - Principal Accountant for Shire of Upper Gascoyne

Office of the Auditor General

Xuan Shan Ong	Audit Manager, Financial Audit
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William Buck

Conley Manifis	Director
Kuan Yin Lau	Manager
Rebekah Bissett	Auditor

Interview Date & Time:	25 October 2023 at 1.00pm
Location:	via Microsoft Teams

Agenda

1. Introduction
2. Matters Arising from the Audit
 - 2.1. **Financial Statements – unmodified opinion will be recommended**
 - No uncorrected misstatement in the financial statements are noted.
 - 2.2. **Controls and Legal Compliance Issues**
 - Management letter points to be discussed.
3. **Actions for Next Year's Audit**
 - No actions noted for next year's audit.
4. **General & Closing Comments**

APPENDIX 2

(Report to the Audit Committee)

Shire of Upper Gascoyne
Report to the Audit Committee
For the year ending 30 June 2023

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1. Executive Summary

This executive summary provides a brief overview of the more detailed sections covered in the remainder of this report.

Section	Overview
Purpose and scope	This report sets out the major matters arising from this year's audit, which has been performed in order to enable the Auditor General to express an opinion on the Shire of Upper Gascoyne's (the Shire) financial statements.
Outstanding matters	<p>Our audit of the financial report is substantially complete. We propose to recommend to the Auditor General to issue an unmodified audit opinion on the financial report subject to the completion of:</p> <ul style="list-style-type: none">– Appropriate procedures relating to subsequent events;– Receipt of the signed management representation letter; and– Certification of the financial report.
Basis of preparation of the financial report	The accounting policies adopted are materiality consistent with the accounting policies in the previous annual financial report.
Summary of unadjusted differences	There were no unadjusted differences noted for the financial year ended 30 June 2023.
Key areas of focus and audit response	<p>Our audit procedures were focused on those activities that are considered to represent the key audit risks identified in our audit plan and through discussions with management during the course of our audit. These areas of focus are consistent with those set out in the Audit Strategy Memorandum tabled at the entrance meeting on 26 April 2023.</p> <p>We are satisfied that these key areas of focus have been addressed appropriately and are properly reflected in the financial report. Please refer to Section 4 of this report for a more detailed discussion on the key areas of focus.</p>
Independence	We confirm that we are independent with respect to professional requirements.

2. Overview

We have conducted an audit of the Shire for the year ended 30 June 2023.

Our audit was performed pursuant to the requirements of the Auditor General Act 2006, with the objective of enabling the Auditor General to express an opinion on the financial report.

Our audit was conducted in accordance with *Local Government Act 1995, Local Government (Financial Management) Regulation 1996* and to the extent that they are not inconsistent with the Act, Australian Accounting Standards to provide reasonable assurance as to whether the financial report is free from material misstatements. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements will be detected.

We perform procedures under the Auditor General Act 2006 to assess whether in all material aspects all procedures are performed in accordance with the *Local Government Act 1995, Local Government (Financial Management) Regulation 1996* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Shire's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which include:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Shire.

This report has been prepared to:

- summarise any major changes affecting the Shire during the year;
- report the key issues arising from our audit;
- provide a summary of any significant changes in financial reporting; and
- draw to the attention of the Audit Committee any other matters of relevance.

We also confirm that all significant matters that we have discussed with management are documented in this report and that we are not aware of any other matters that should be brought to the attention of the Audit Committee.

3. Acknowledgement

We would like to take this opportunity to thank John McCleary, Andrea Pears, Cherie Walker and all the support staff of the Shire for their co-operation and assistance during the course of our audit facilitating a smooth year-end audit process.

4. Key Areas of Focus and Audit Response

Our audit procedures were focused on those areas of the Shire's activities that are considered to represent the key audit risks. These areas of focus were identified as a result of:

- The risk assessment process undertaken during the planning phase of our engagement and were presented to management in our Audit Strategy Memorandum;
- Discussions with management during the course of our audit; and
- Review of internal audit reports.

We are satisfied that the key areas of focus have been addressed appropriately and are properly reflected in the financial report:

1. Revenue Recognition

The Shire's main source of revenue are grants, subsidies and contributions, rates and fees and charges which mainly include transport services. Completeness, existence and accuracy of revenue are identified as a risk. We have performed the following:

- control testing on revenue transactions and analytical review;
- cut-off testing and credit notes testing subsequent to the financial year;
- assessed that the Shire's revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income for Not for Profit Entities*; and
- checked that the rates valuation reconciliation received from Landgate has been duly reviewed by a senior officer independent of preparation.

There were no issues noted with the measurement and recognition of revenue. However noted during the cut-off procedure that the invoices tested were not in sequential order as invoices may not be sent out the same day that it is raised.

2. Employee expenses and provisions

Employee expenses is one of the major expenses of the Shire. We have performed control testing on payroll transactions, including but not limited to employment and termination, performed analytical review and reviewed the key method and underlying data management uses when determining accounting estimates related to provisions.

There were no issues noted with the measurement of employee expense and provision for employee benefits.

3. Materials and contracts

Material and contract expenses is also one of the major expenses of the Shire. We have performed control testing on expenses, including obtaining and reviewing the current policies and procedures implemented, performed analytical review and checked that the current policies and procedures implemented on the procurement process are reviewed regularly and aligned with the Local Government Act and Regulations.

There were no issues noted with the measurement and recognition of material and contract expenses, except that we had identified that Goods and Services Tax ("GST") was not correctly recorded for 1 out of 41 sampled transactions.

4. Cash and cash equivalents

The Shire has significant cash and cash equivalent balance. We have performed the following:

- control testing on bank reconciliation, including reviewing the process around approvals for term deposits and renewals;
- performed analytical review, including independently obtaining bank confirmation and investigating any significant exceptions;
- checked that the end of the day takings between the physical cash count and cash receipting banking deposit listing has been independently reviewed; and
- checked that restricted cash and cash equivalents have been used for their intended purposes and that the disclosure in the financial report is in accordance with the imposed regulations and legislation.

There were no issues noted with the existence of cash and cash equivalents. However, we identified that the authorised bank signatories were not updated on a timely basis.

5. Recoverability of debtors

Collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account, when objective evidence that the Shire will not be able to collect its debts has been established. Receivables are normally settled within 30 days.

We have performed analytical review, including reviewing the Shire's ongoing assess of collectability of receivables and traced material receivables to subsequent collection.

There were no issues noted with the measurement and recognition of trade and other receivables, including assessment of expected credit losses.

6. Property, plant and equipment and infrastructure

The Shire owns significant amounts of property plant and equipment and infrastructure, whereby an external expert was engaged to perform a valuation on other infrastructure assets. Impairment, accuracy of the depreciation charge and appropriateness of asset capitalisation are identified as risks.

We have performed analytical review, including the following:

- Obtained and reviewed the main assumptions, valuation techniques and unobservable inputs used in the valuation model for the other infrastructure assets;
- recalculating depreciation and reviewing the reasonableness of the assets useful life;
- verified significant additions. No work performed on disposals as the disposal amount is not deemed material;
- evaluated management's assessment of impairment; and
- considered the appropriateness of the accounting treatment of costs incurred as either maintenance or capitalised as asset enhancements.

There were no issues noted with the existence, measurement and recognition of property, plant and equipment and infrastructure.

7. Disclosure of related party transactions

The Shire has transactions with related parties which are on normal commercial terms and conditions. There is a risk that related party transactions and balances are not appropriately disclosed in the financial report in accordance with the Shire's applicable accounting policies and the relevant accounting standards.

We have performed the following analytical review, including the following:

- reviewed and determined that the Shire's accounting policy is in line with AASB 124 *Related Party Disclosures*;
- enquired and understood the process for identification of related parties, reviewed the register of related party transactions, and assessed whether the disclosures made in the notes to the annual financial report are appropriate; and
- reviewed the signed declarations from Key Management Personnel and ensure appropriate disclosures (if any) have been included in the notes to the annual financial report.

There were no issues noted with the disclosure of related party transactions.

5. Control Environment

Accounting systems and controls

As part of our normal statutory audit procedures, we considered the systems and controls existing in respect of the operational and financial activities of the Shire. This allowed us to:

- develop our understanding of the financial and operating procedures;
- document the processes for our permanent files for future reference;
- review the systems for potential weaknesses and assess the likelihood that errors could occur;
- determine our audit approach (including the degree of reliance on internal controls); and
- ensure that the accounting systems and records were sufficient for the preparation of true and fair financial statements.

Our audit is planned and conducted so as to enable us to express a professional opinion on the statutory financial statements. It is not designed, nor can it be expected to disclose, all defalcations or irregularities. Such matters might be revealed during the course of our work. If this were the case, the matters would be reported to you.

Design effectiveness

Our review indicated that, based on the size of the Shire, the current systems and processes are well designed and controlled. We are of the view that the Shire's controls are adequate and comply with relevant legislative provisions. We did not identify any control weaknesses, except that authorised bank signatories were not updated on a timely basis.

6. Independence

Our audit services are subject to the Office of the Auditor General's, William Buck's and applicable Professional Standards requirements, rules and policies regarding auditor independence, as well as certain statutory requirements. We enforce these policies and values in order to maintain objectivity and to be free of conflicts of interest when discharging our professional responsibilities.

The Office of the Auditor General and William Buck understand the importance of our role as auditors in the external reporting framework and we work hard to maintain an extensive system of quality controls over our audit practices including independence.

7. Summary of Unadjusted audit differences

In performing our audit of the Shire for the year ended 30 June 2023, we have not identified any unadjusted audit differences.

8. Summary of Adjusted Audit Differences

During the audit, we have noted the following items which were proposed and adjusted in the financial report and have been brought to account. There is no impact to the Statement of Profit or Loss and Other Comprehensive Income.

Date	Account	Account Name	Debit (\$)	Credit (\$)
30/06/2023	012284	Road Construction	20,790	
30/06/2023	322113	Accrued Expenses		20,790
<i>Being cut-off related error identified during search for unrecorded liabilities testing.</i>				
30/06/2023	121062	Consulting Transport	25,089	
30/06/2023	322113	Accrued Expenses		25,089
<i>Being cut-off related error identified during search for unrecorded liabilities testing.</i>				

APPENDIX 3

(Controls and Legal Compliance Issues)

SHIRE OF UPPER GASCOYNE
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings Potential impact on audit opinion	Rating			Prior year finding
	Significant	Moderate	Minor	
1. Accounts Payable Suspense Accounts		✓		✓
2. Bank signatory not removed		✓		
3. GST not recorded appropriately			✓	

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

SHIRE OF UPPER GASCOYNE
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Accounts Payable Suspense Accounts

Finding

As at 30 June 2023, the Shire had numerous suspense accounts amounted to \$6,687.91 which arose mainly from miscellaneous payments to be refunded unreconciled rates and/or other collection received. The suspense accounts have yet to be reconciled as at 8 September 2023 due to timing around confirming payment details with recipients.

A similar finding was identified for 30 June 2022 balance, whereby the delay for the reconciliation of the suspense accounts amounted to \$13,081 were due mainly to staff vacancies.

Rating: Moderate

Implication

The suspense account balance (if not reconciled on a timely basis) will continue to grow and there is an increased risk that the reconciliation will become onerous. Consequently, the payments owed will be further delayed if the reconciliation is not performed.

Recommendation

We recommend that the reconciliation of accounts payable suspense account be performed on a timely basis.

Management Comment

All suspense accounts have been cleared and reconciled and this process is already incorporated into the end of month procedure.

Responsible Person: Andrea Pears
Completion Date: 30 September 2023

SHIRE OF UPPER GASCOYNE
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Bank signatory not removed

Finding

We noted in our bank confirmation obtained from Commonwealth Bank of Australia that a previous Shire Councillor was still included as an authorised signatory to the bank account. Management have since requested the bank update its authorised signatory listing on the 11 September 2023.

Rating: Moderate

Implication

If the Shire's list of bank account signatories is not kept up to date, there is a risk of unapproved funds transfer and/or unauthorised access to the Shire's bank accounts and transactions by personal no longer employed or given the authority to do so by the Shire.

Recommendation

We recommend that the Shire review its processes for updating its systems and records for changes to personnel or members of the Council, with a view to ensure that all necessary updates are made on a timely basis. The Shire's list of authorised bank account signatories should be reviewed regularly and updates made as soon as practicable to ensure no unauthorised transactions are made from the Shire's bank accounts.

Management comment

The exit strategy for all councillors and staff incorporates removal of bank signatory authority should it be in effect during their tenure. The Shire will ensure that this occurs within a timely manner.

Responsible person: Andrea Pears
Completion date: 31 October 2023

SHIRE OF UPPER GASCOYNE
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

3. GST not recorded appropriately

Finding

We noted that that 1 out of 41 samples tested for expenses were incorrectly recorded due to the inclusion of Goods and Services Tax ("GST").

Rating: Minor

Implication

There is a risk that GST amounts reported to the Australian Tax Office (ATO) are incorrect and the expenses may be misstated.

Recommendation

We recommend that management considers implementing a more robust review process to ensure that GST is recorded separately from expenditure.

Management comment

Our creditor's process incorporates having a second officer check invoices thoroughly for amount, date, purchase order and Goods and Services Tax (GST) at the batching stage. Corrections are made at this stage, as the tax invoice provides the detail on whether GST is applicable, and each invoice and batch report is signed by both parties. We will continue to have all batches checked against invoice details to ensure accuracy.

Responsible person: Andrea Pears
Completion date: 30 September 2023