

CHIEF EXECUTIVE OFFICERS REPORT RELATING TO THE AUDITED FINANCIAL STATEMENTS FOR YEAR
ENDED 30 JUNE 2024

Pursuant to the Local Government Act 1995, Section 7.12A(4)(a), the following report is presented.

1. INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF YILGARN

1.1 Auditor's Opinion

The report records an opinion that the financial statements for the Shire of Yilgarn for the financial year ended 30 June 2024 give a true and fair view of the Shire's financial position and comply with Australian Accounting Standards and Interpretations. The opinion makes no qualifications.

1.2 Report on other Legal and Regulatory requirements

- (i) All required information and explanations were obtained.
- (ii) All audit procedures were satisfactorily completed.
- (iii) Are in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

2. MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2024

The following matters were raised during the final audit which include Managements comments:

1. **Fixed Assets**

Finding

During our substantive testing of property, plant and equipment and infrastructure assets we noted the following:

- Depreciation calculated for infrastructure assets for both June 2023 and 2024 was materially incorrect due to the system not being updated correctly after the revaluation performed in June 2022;
- Several assets that were disposed of during the period should have been removed from the Shire's asset register during the previous period;
- There was a \$31,000 variance between the fixed asset register and the general ledger dating back to June 2022; and
- We noted the monthly fixed asset reconciliation for June 2024 was performed at the end of August 2024 and had a reconciling error.

Rating: Significant

Implication

Property, plant and equipment and infrastructure assets are the biggest classes of non-financial assets reported on the Shire's statement of financial position. Errors that occur within these balances may result in the Shire's financial statements being materially misstated. As a result of the above findings, a prior period adjustment was required to correct the Shire's financial statements.

Recommendation

Whilst we noted the above was rectified as part of the audit process, the Shire should regularly review the asset register for completeness and accuracy as well as perform the monthly asset reconciliation in a timely manner by the end of each month. These reconciliations should be reviewed by a senior officer independent of preparation and evidenced accordingly.

Management comment

Noted, greater attention to assets and asset transactions will be made going forward. Activities such as asset acquisitions/disposals and asset reconciliations will be carried out no later than 30 days post EOM

Responsible person: *Manager Finance / Executive Manager Corporate Services*

Completion date: *Ongoing*

2. Segregation of Duties for Purchase Orders

Finding

Our sample testing of expenditure internal controls noted an instance (out of four transactions tested) where the purchase order was raised, approved and matched to the supplier invoice by the same employee. This finding was also raised during our interim audit, where we noted an instance (out of eight transactions tested) of the same.

Rating: Moderate

Implication

Purchases made without proper segregation of duties increases the risk of unauthorised purchases being made.

Recommendation

The Shire should review its current procurement processes by mandating independent reviews to ensure appropriate segregation of duties.

Management comment

Since the Interim Audit, relevant staff have been informed that the authorisation for payment process has been enhanced. An authorised purchasing Officer should not be raising a purchase order and endorsing the resultant invoice for payment. The process, as it currently stands, is the Officer who raised/requested the PO indicates if the goods/services were received and when, then indicating that this is correct by signing. The invoice is then forwarded to a secondary manager for checking and endorsement to pay.

Further email & verbal instructions will be sent to relevant staff to reinforce the above requirements. Ongoing monitoring by senior finance staff to ensure compliance

Responsible person: *Manager Finance / Executive Manager Corporate Services*

Completion date: *Ongoing*

3. Information Technology Controls

Finding

During our review of information technology systems and controls, we identified the following weaknesses to be addressed:

1. A register of hardware and software in use by staff is not kept;
2. No web filtering software is in place;
3. There is no documented policy on software use;
4. The business continuity plan has not been updated since 2013 and is not tested on a periodic basis;
5. No specific cyber security training has been conducted for staff;
6. There are no documented cyber security policies or procedures;
7. There is no documented plan for responding to a cyber security attack; and
8. Two-factor authentication is not in use where available.

Rating: Moderate

Implication

The identified weaknesses in the Shire's IT framework leaves the Shire vulnerable to potential cyber security threats and data breaches. Without proper processes to follow, 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 look to address the above weaknesses to help reduce risks relating to IT to an acceptable level.

Management comment

1. *A register of hardware is currently being produced*
2. *Noted*
3. *Installed software is all approved. Secondary software cannot be installed as Server Administrator privileges are required which are not disseminated to anyone. Currently only the EMCS and offsite IT support are aware of Admin user details*
4. *Noted, review is in the works*
5. *All staff are constantly being informed of their duties when encountering a suspicious email on a shire email addresses and suspicious texts on Shire devices. This a small organisation with most of its staff not accessing Shire electronic devices, the remainder are constantly being informed about not interacting with suspicious emails/texts and if unsure to notify the EMCS.*
6. *Noted*
7. *Noted*
8. *Noted*

Responsible person: *Chief Executive Officer / Executive Manager Corporate Services*

Completion date: *As soon as practicable*