



The Hon HM Beazley MLA
Minister for Local Government, Youth,
Minister Assisting the Minister for Training and Workforce Development
Dumas House, 2 Havelock Street
West Perth 6005

Dear Minister Beazley,

We are writing to report significant matters identified by the Auditor General during the Shire of Gnowangerup's (The Shire) 2022-2023 Financial Audit as required under section 7.12A of the Local Government Act (1995).

The 3 significant matters the Auditor General identified are listed below:

1. Bank Reconciliations
2. Payment not accurately reported in Council Minutes
3. Lack of user-restricted access to specific functions in Synergy Soft.

The Shire has implemented new processes to ensure that adequate controls are in place for the issues identified by the Auditor General. Further details regarding the matters, the Auditor General's recommendations, and actions we have undertaken to resolve these are provided in the attached Report on Significant Matters (Attachment 1). The Report on Significant Matters has been received by the Audit Committee Meeting on 28 February 24 and endorsed by Council on 13 March 2024.

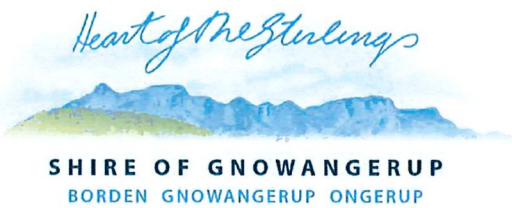
A copy of the report will be made available on the Shire's website within 14 days from the date of this letter as per section 7.12A(5).

We can provide further information or clarification if required.

Yours faithfully,

David Nicholson
CHIEF EXECUTIVE OFFICER

14 March 2024



REPORT ON SIGNIFICANT MATTER
(Section 7.12A (4a) of the Local Government Act 1995)

Finding	OAG Recommendation	LG Action Plan	Completion Date
<p>Finding 1 - Bank Reconciliations</p> <ul style="list-style-type: none"> During the audit, we observed that the bank reconciliations for the months of August and February NAB Municipal account were not completed in a timely manner. The bank reconciliation for December 2022 and February 2023 for the Municipal Account has not been signed by the preparer and reviewer, and it is also not dated. There have been long outstanding items since 4 August 2022, in the month of August 2022, October 2022, December 2022 and February 2023 for the Municipal Account . 	<p>OAG Recommendation</p> <ul style="list-style-type: none"> Ensure that bank reconciliations are performed promptly and regularly to minimize the risk of inaccurate financial reporting. Reconciliations should be conducted every month, ideally within a reasonable time frame after the end of each month. Implement a strong control framework that requires the preparer and reviewer to sign and date the bank reconciliation. This ensures accountability, strengthens oversight and enhances the reliability of the reconciliation process. Promptly investigate and resolve outstanding items to minimise financial risk and maintain accurate records. Establish clear procedures for identifying and resolving such items, including follow-up with relevant stakeholders and ensuring appropriate actions are taken. 	<p>LG Action Plan</p> <p>Noted - All recommendations are in place. Unfortunately, our system does not have a bank reconciliation module, and this significantly impacts on the process. Oversight of these controls will be strengthened to ensure all actions are undertaken completely and in a timely manner.</p>	<p>Ongoing</p>
<p>Finding 2 - Payment not accurately reported in Council Minutes</p> <p>During our audit, we observed a discrepancy in the total payments approved by the Council from July 2022 to March 2023. The total amount reported in the Council</p>	<p>We recommend that management ensure accurate and correct financial information is provided for Council approval</p>	<p>The Shire thanks the auditors for bringing this to our attention and have since investigated and identified an issue within our finance system. The Shire has since implemented a manual process which requires monthly transactions listings produced for council is compared to the bank statement to ensure accuracy and completeness of information provided to council</p>	<p>Implemented</p>

<p>minutes did not match the list of payments extracted from the accounting system. The total payments were understated by \$83,788.82 in the minutes</p>			
<p>Finding 7- Lack of user-restricted access to specific functions in Synergy Soft</p> <p>Finding 2023 Based on the financial system user access rights matrix analysis, we observed that 2 users had been granted access to the delete option.</p> <p>Finding 2022 We noted from the financial system user access rights matrix, there were no restrictions on user's being able to delete records.</p>	<p>We recommend that no user has delete options in financial records</p>	<p>This is disappointing. The prior year recommendations were implemented and this year the finding has been re-raised with a changed, more specific recommendation which has been immediately implemented. Due to the previous year's recommendation not being specific it has resulted in a significant finding</p>	<p>Completed</p>