



Our Ref: 8661

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Dear Mr Nuttall

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDED 30 JUNE 2021**

We have completed the interim audit for the year ended 30 June 2021. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to evaluate your overall control environment, but not for the purpose of expressing an opinion on the effectiveness of internal control, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management Control Issues

We would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management. Some of the matters may be included in our auditor's report in accordance with section 7.9(2) of the *Local Government Act 1995* or regulation 10(3)(a) and (b) of the *Local Government (Audit) Regulations 1996*. If so, we will inform you before we finalise the report.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7683 if you would like to discuss these matters further.

Yours faithfully

Kien Neoh
Director
Financial Audit
23 September 2021

Attach

NAME OF ENTITY: SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Staff Access to Financial Management System (Synergy)		✓	
2. Use of purchase orders and quotations for goods and services		✓	

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 may be reported as a matter of non-compliance in the audit report 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.

NAME OF ENTITY: SHIRE OF MT MARSHALL
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Staff Access To Financial Management System (Synergy)

Finding

Based on our review of user access levels in the financial management system (Synergy), we noted :

- Market Creations, an IT contractor having superuser access and 8 Shire users having super user access, excluding the administrator and itvision; and
- ten users have the same access profile "no payroll". This profile provides access to all areas of Synergy except payroll.

While we acknowledge that the Shire is aware that such access was given to staff due to practicality while a staff member was away and that processes were in place to ensure segregation of duties in its day-to-day operations, there is still a risk that superuser access and excessive user access may allow staff to use the system inappropriately.

Rating: Moderate

Implication

Excessive user access to the accounting package may allow staff to use the system inappropriately. For example, this access could be used to undermine the effectiveness of system controls (such as segregation of duties) and diminish accountability.

Recommendation

The Shire should:

- (i) restrict super access levels to only a small number of users on a needs basis
- (ii) restrict no payroll access to only staff authorised to make amendments in the system except payroll based on their roles and responsibilities.
- (iii) restrict access to enquiries only for all other staff not authorised to make and/or amend any changes in the system.
- (iv) regularly review staff access to certain modules and to ensure duties remain effectively segregated and tasks can be completed effectively and efficiently.
- (v) produce exception reports where applicable, which provide details of addition/amendments to user access levels. These reports should be independently reviewed by an appropriate officer.

Management Comment

Noted and some changes will be made regarding access to the finance functions

Responsible Person: Tanika McLennan
Completion Date: ASAP

NAME OF ENTITY: SHIRE OF MT MARSHALL

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2021

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Use of Purchase Orders and Quotations for Goods And Services

During our sample testing of payments made during the year, we identified the following:

- 2 purchases where the purchase order was raised after the invoice was received.
- 3 purchases where the purchase transactions did not have a sufficient number of supplier quotes as required under the Shire's purchasing policy, or there was insufficient documentation to explain why quotes were not sought.
- 1 purchase where the purchase order raised was within this employees delegation however, actual invoice received exceeded the limit of the employee who had made the purchase due to variances in the invoice as compared to the purchase order.

Rating: Moderate

Implication

Use of purchase orders is a key control which ensures that goods are correctly and appropriately ordered and received. Raising of purchase orders after the invoice carry additional risks of no evidence that the ordering of goods or services was approved prior to ordering.

When purchases are made without obtaining sufficient quotes or sufficient records kept of reasons for not obtaining quotes, there is an increased risk of favouritism of suppliers and not obtaining value for money.

Recommendation

The Shire should ensure that all purchase orders are appropriately raised and approved prior to ordering goods or services. All authorised officers be reminded to:

- comply with the purchasing policy in regards to supplier quotations or document reasons why quotes were not obtained ; and
- ensure purchase orders are matched with the invoice received. This will ensure goods and services are appropriately ordered with sufficient approval limits.

Management Comment

Noted. Staff have already been addressed regarding purchasing requirements and the need to follow the policy and provide supporting documentation. This will remain under review and regular 'reminders' provided across the organisation.

Responsible Person: John Nuttall
Completion Date: Already done and ongoing