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Serving the Public Interest

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Mr Grant Thompson
Chief Executive Officer
Shire of Kojonup
93 Albany Highway
KOJONUP WA 6395

Email: ceo@kojonup.wa.gov.au

Dear Mr Thompson

ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDED 30 JUNE 2025

We have completed the interim audit for the year ended 30 June 2025. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to primarily evaluate your financial control environment, 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.

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 7534 if you would like to discuss these matters further.

Yours sincerely

Mikey Fiorucci
Director
Financial Audit
23 July 2025

Attach

SHIRE OF KOJONUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Monthly reconciliation process	No	✓			✓
2. General journal review processes	No	✓			✓
3. General IT controls – Access rights & permissions	No		✓		✓
4. Quotes	No			✓	
5. Leave applications	No		✓		

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 opinion, 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 KOJONUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Monthly reconciliation process

Finding
During our audit we identified weaknesses with the preparation and review of monthly reconciliations, including the following observations:

- Several key account reconciliations (e.g. bank, debtors, creditors, and rates) were not performed on a timely basis for the months of July 2024 to January 2025
- The August 2024 reconciliation for Trust and Reserve bank accounts had no evidence of review by an authorised officer
- Debtors' reconciliations for August 2024, February & March 2025 were either not completed or not evidenced.

We acknowledge the Shire has made improvements to its monthly reconciliation processes from when this finding was first identified in 2023.

Rating: Significant (2024: Significant)

Implication
Reconciliations are a key control to ensure financial data is completely and accurately reflected in the general ledger from which financial statements are derived. There is a risk that internal controls are not being fully applied and that unreconciled or unauthorised transactions may go undetected and/or unresolved.

Recommendation
Management should ensure that all month-end reconciliations are completed and reviewed by an independent officer as soon as practicable in the following month. Evidence of review and follow-up actions taken where required should also be retained.

Management comment
- *The Shire has taken the steps to train the Senior Finance Officer in bank reconciliations to support the process by providing a back-up officer with this skillset in the event these circumstances prevail again.*
- *Key finance personal have now been appointed and will oversee the monthly processes in Creditors and Debtors.*

Responsible person: Manager Finance & Corporate Services
Completion date: Immediately

SHIRE OF KOJONUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. General journal review processes

Finding
From our sample of 30 journal entries examined, we noted the following:

- Seventeen journals relating to Department of Transport payments made were incorrectly processed via general journals instead of the appropriate payment process
- Two rates journal entries for amalgamations and adjustments did not include evidence of review prior to posting.

This finding was first identified in 2024.

Rating: Significant (2024: Significant)

Implication
In the absence of, incorrect use, or adequate review of all general journals posted, there is an increased risk of unauthorised journals being posted whether due to fraud or error which may result in errors posted to the annual financial report.

Recommendation
Management should ensure that all general journals are reviewed by an appropriate person who is independent of the person performing the tasks. All general journals and supporting documentation should be reviewed by an appropriate officer and signed as evidence of review.

General journals should also not be used to recognise payments made; this should be performed using the appropriate accounts payable functions.

Management comment
- *Acknowledged that the current process of raising journals to receipt Department of Transport payments is perhaps not a preferred process by the auditor's method but was in place in the absence of other controls.*
- *Changes will be instigated immediately and the payments received on the bank, will now be processed via the Creditors function in Synergy where 2 Factor authorisation is in place.*
- *It is already the Shire policy/procedure that all general journals are reviewed by an appropriate officer.*
- *As such the Rates Officer will receive training on providing following the correct process for Rate journals, which will be approved by an authorised officer.*

Responsible person: Senior Finance Officer
Completion date: Immediately

SHIRE OF KOJONUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

3. General IT controls – Access rights & permissions

Finding
During our audit we identified four users with "SUPERUSER" rights with access to Synergy. Of these four users, three were external consultants to the Shire. Our audit testing did not identify any instances of misuse as a result of the users having permissions that were not required for them to carry out their role.

Rating: Moderate (2024: Moderate)

Implication
Users with access in Synergy functions that are not required as part of their role may allow inappropriate and unauthorised changes to go undetected.

Recommendation
Management should review all user accounts with access to Synergy to ensure appropriately levels of access are granted to appropriate officers currently employed by the Shire.

Management comment

- *External consultants' 'access rights and permissions' to be reviewed by Manager Finance & Corporate Services in an immediate timeframe.*
- *Senior Finance Officer has SUPERUSER access in accordance with her role, which is appropriate as she provides support to other finance team members and maintains the financial records. This role is teamed with the Manager Finance & Corporate Services.*
- *A review of user access will take place by September 30.*

Responsible person:	Manager Finance & Corporate Services
Completion date:	30 September 2025

SHIRE OF KOJONUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

4. Quotes

Finding
We noted one instance from our sample of 30 transactions that did not include evidence of three written quotes required by the Shire's purchasing policy for purchases above $20,000.

Rating: Minor

Implication
Quotes are an essential control in the purchasing process and failure to obtain required quotes as per purchasing policy risks non-compliance.

Recommendation
Management should ensure that all staff are aware of the purchasing policy and requirements for having quotes before ordering goods or requesting services.

Management comment

- *This one (1) incident identified was a one off and may be due to a misunderstanding of the common user agreement (CUA) for procuring a vehicle versus the Shire Policy.*
- *The Shire will be reinforcing the existing purchasing policy with Managers to make them aware that; the Shire purchasing policy is to obtain 3 x written quotes for all purchases exceeding $20,001.00. To be approved by CEO based on presentation of quotes.*
- *For purchases under a CUA, the current Shire Policy does exempt direct purchases from having three quotes but as a result of this interpretive issue of the CUA, under the direct purchases the Shire will explore and identity explicit suppliers that are approved for purchasing through the policy review.*
- *CEO will review the purchasing policy.*

Responsible person: CEO
Completion date: Immediately

SHIRE OF KOJONUP

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

5. Leave applications

Finding
The Shire has an established process for staff to lodge leave applications through Altus to seek a manager's approval prior to taking personal, annual, long-service leave or an equivalent leave entitlement. Through discussions with Shire staff, we understand this process is not always followed by all staff, reliance is often placed on email communication to confirm employee leave arrangements rather than the established leave application process.

In our testing of fortnightly pay runs, we noted one instance where an employee's pay needed to be reversed and re-processed due to incorrect leave type being entered.

Rating: Moderate

Implication
Where established leave application processes are not followed, there is an increased risk that leave taken may not be recorded or the incorrect leave type may be used. This can increase the risk of inaccurate leave entitlements as manual adjustments would need to be made which can be difficult to track or evidence. This risk may be further compounded when other corroborating evidence such as timesheets are not available.

Recommendation
Management should ensure all employees submit leave applications for approval in accordance with the Shire's established process. Leave applications should be approved by a manager or other appropriate officer prior to employees taking leave wherever possible.

In situations where an employee is unable to submit a formal leave application prior to taking leave, this should be completed upon the employee's return to work.

Management comment
As a result of this finding the Shire will review its controls for leave management, re-educate the team on how to use the leave portal and reinforce the policies for leave management. It will reinforce the importance of all team members to do a timesheet.

Responsible person: CEO
Completion date: Immediately