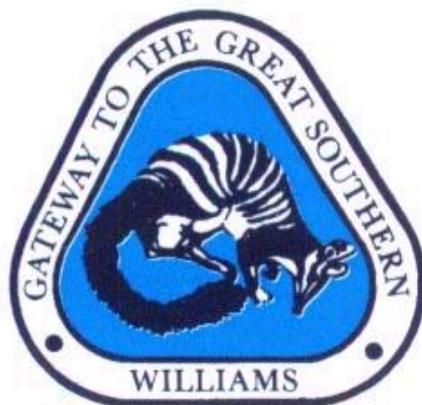


# ***SHIRE OF WILLIAMS***



## ***REPORT ON THE INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2020***



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## Interim Audit Results for the Year Ending 30 June 2020

<b>File Reference</b>	4.22.00
<b>Statutory Ref.</b>	<i>Local Government Act 1995, Local Government Amendment (Auditing) Act 2017 and Local Government (Audit) Regulations 1996</i>
<b>Author &amp; Date</b>	Geoff McKeown 14 August 2020
<b>Attachments</b>	Nil

### **Background**

In November 2017, proclamation of the *Local Government Amendment (Auditing) Act 2017* introduced a number of reforms to auditing laws. The legislation requires local governments to examine an audit report it receives and implement appropriate action in respect to the significant matters raised.

The Office of the Auditor General's (OAG) Interim Audit Results Report for the year ending 30 June 2020 identified three findings, one being rated as having a significant risk.

Local governments must prepare a report addressing the matter identified in the audit report. A copy of the report must be sent to the Minister for Local Government and published on the local government's website as required by Section 7.12A of the *Local Government Act 1995*.

### **Comment**

On the following page is an extract of the Interim Audit Results Report that relates to an identified matter of significant risk concerning Supplier Masterfile Amendments. The OAG raised concern that there is unrestricted access by all users of the accounting system to make changes to supplier records. Further, that the system is currently unable to provide an audit trail of changes made and suppliers' records are not subject to an independent review.

In response to this the Shire's Management comment included:

*"There are currently limitations within the accounting software for the ability to restrict certain areas within the system, however controls have been put in place requiring that all new supplier details and amendments are to be authorised independently to the officer acquiring and checking the authenticity of the details. Secondly, the officer who enters and pays suppliers is not authorised to input new suppliers or change suppliers within the software system.*

*Although there is no audit trail report to identify changes to supplier records, due to the limitations with the accounting software, a review of online banking reports will highlight any bank detail changes."*



## ATTACHMENT

### SHIRE OF WILLIAMS PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020 FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

#### 1. Supplier Masterfile Amendments

##### **Finding**

The Shire has not implemented sufficient and adequate internal controls around the supplier master files. We noted the following issues:

- Unrestricted access to all 6 accounting system users with the ability to make changes to suppliers' records. The system is currently unable to provide an audit trail of the changes made to supplier records.
- Amendments to suppliers' records is not subject to an independent review.

We however acknowledge that our testing to validate suppliers' information in the system did not identify any discrepancies. Our testing also included comparing staff bank account details to the suppliers' bank details.

##### **Rating: Significant**

##### **Implication:**

There is an increased risk that unauthorised changes may be made resulting in errors or funds being inappropriately transferred.

##### **Recommendation**

Management should review all the changes to supplier master files to confirm that they were valid. If not, appropriate action should be taken. In addition, access privileges to the master file should be restricted to only authorised staff, and any changes to suppliers' records should be independently reviewed.

##### **Management's Comments**

There are currently limitations within the accounting software for the ability to restrict certain areas within the system, however controls have been put in place requiring that all new supplier details and amendments are to be authorised independently to the officer acquiring and checking the authenticity of the details. Secondly, the officer who enters and pays suppliers is not authorised to input new suppliers or change suppliers within the software system.

Although there is no audit trail report to identify changes to supplier records, due to the limitations with the accounting software, a review of online banking reports will highlight any bank detail changes.

**Responsible Person:** Chief Executive Officer  
**Completion Date:** Ongoing



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### **Strategic Implications**

This item aligns with the community's vision and aspirations as contained in the Shire of Williams Strategic Community Plan 2017 to 2032. Specifically, it relates to the following strategy(s):

CL 2.2 Maintain accountability, transparency and financial responsibility.

### **Financial Implications**

If adequate control of a Suppliers' Masterfile is not in place, there is a potential risk of misappropriation of funds.

### **Voting Requirements**

Simple Majority

### **Officer's Recommendation**

That Council:

1. Notes the identified significant risk matter identified in the Office of the Auditor General's Interim Audit Results Report for the Year Ending 30 June 2020 relating to Supplier Masterfile Amendments; and
2. Authorises a copy of this report to be forwarded to the Minister for Local Government and be published on the Shire's official website.

### **Council Resolution**

#### **Major/Price**

That Council:

1. Notes the identified significant risk matter identified in the Office of the Auditor General's Interim Audit Results Report for the Year Ending 30 June 2020 relating to Supplier Masterfile Amendments; and
2. Authorises a copy of this report to be forwarded to the Minister for Local Government and be published on the Shire's official website.

**Carried 8/0  
Resolution 19/21**