



murchisonshire

Ancient land under brilliant skies

Audit Committee Meeting

30 June 2026

Minutes Attachments

□ **7.3.8 Application of Controls to Different Sized Local Governments**

Whilst there is no one standard set of internal controls for different size local governments, there are some variations which may be expected. These are illustrated in the table below.

Control environment	Small	Medium	Large
Risk Management approach	Limited risk management approach to all high level plans.	Risk management approach to all high and medium level plans.	Enhanced risk management with a risk management approach to all decision making
Entity Level Controls	Entity level controls required by regulation as a minimum. Further entity level controls identified by risk assessment.	Entity level controls required by regulation as a minimum. Further entity level controls identified by risk assessment.	Entity level controls required by regulation as a minimum. Further entity level controls identified by risk assessment.
IT General Controls	IT General Controls administered by external service providers subject to routine monitoring	IT General Controls administered by internal or external service providers routinely monitoring controls.	IT General Controls administered by internal IT staff routinely monitoring controls.
IT Application Controls	IT application controls administered by external service providers subject to routine monitoring	IT application controls administered by internal or external service providers routinely monitored	IT application controls administered by internal or external service providers routinely monitored
Documented Procedures	Documented procedures for all high risk operational activities and processes.	Well documented procedures for all high and medium risk operational activities and processes.	Well documented procedures for all operational activities and processes. Timely exception reporting in place
Segregation of Duties	Low level of segregation of duties. High level of review of overall results by council.	Segregation of high risk duties with timely documented reviews by officers independent of operations.	High level of segregation of duties with timely reviews by independent officers.
Experience and Qualification of staff	Experienced and qualified staff required for all key roles.	Experienced staff in key roles undertaking reviews with lower qualified staff in operational roles.	Experienced staff in senior roles with full range of experience and qualification of staff below.

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26 June 2026

Mr Bill Boehm
Chief Executive Officer
Shire of Murchison
PO Box 61
Mullewa WA 6630

Dear Mr Boehm

Report of Factual Findings

1 The objective and scope of the engagement

We have performed the procedures agreed with you to report factual findings for the purpose of assisting you in determining the appropriateness and effectiveness of the financial management systems and procedures in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*. The procedures performed are described below with respect to the Shire of Murchison (**Shire**) for the period 1 July 2025 to 31 December 2025.

2 The Chief Executive Officer's responsibility for the procedures agreed

As the Chief Executive Officer (**CEO**), you are responsible for the adequacy or otherwise of the procedures agreed to be performed by us. You are responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the subject matter.

3 Assurance practitioner's responsibility

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We conducted the engagement in accordance with Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*. We have complied with ethical requirements equivalent to those applicable to Other Assurance Engagements, including independence.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with AUASB standards, we do not express any conclusion and provide no assurance on the appropriateness and effectiveness of the financial management systems and procedures in accordance with regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

4 Procedures performed

We have performed the following procedures, which are the minimum level of monitoring activities and key control activities listed in Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3, issued by the Department of Local Government, Sport and Cultural Industries (DLGSC) in September 2012, supplemented

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by Introduction to Local Government Accounting, section 4.4 Internal Control and Risk Management as supplied and updated from time to time by DLGSC, and report to you the factual findings resulting from our work:

The procedures applied in order to satisfy ourselves with the findings, on a sample basis, were as follows:

- Inspection;
- Observation;
- External confirmation;
- Re-calculation;
- Re-performance; and
- Enquiry.

5 Factual findings:

5.1 Monitoring activities

Risk area	Monitoring activities to be verified	Source	Sample Size	Error or Exceptions noted
Annual Budget	Monthly actuals are compared to budget and significant variances fully investigated and explained	Monthly statement of financial activity	2	No exceptions noted
Financial reporting	Through the presentation of the Monthly Statement of Financial Activity (SFA) to council actual results are compared to budget each month; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
Grants	a) Management regularly reviews all grant income and monitors compliance with both the terms of grants and council's grant policy (including claiming funds on a timely basis).	Monthly statement of financial activity	2	No exceptions noted
	b) Through the SFA, grant revenue is compared to budget; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
Receipting	a) Income is compared to budget regularly in the SFA; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
	b) Statements of accounts receivable are sent to customers enabling review.	Statements	2	Exception 1



Risk area	Monitoring activities to be verified	Source	Sample Size	Error or Exceptions noted
Revenue (including Rates and other sources)	a) Management reviews rates ageing profile on a monthly basis and investigates any outstanding items.	Monthly statement of financial activity	2	No exceptions noted
	b) Actual rate revenue is compared to budget; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
	c) Annual valuation update is balanced prior to the generation of rates; this is reconciled to the rate record and reviewed.	Valuation reconciliation	1	No exceptions noted
	d) Interim valuation updates are balanced prior to the generation of the interim rates; this is reconciled to the rate record and reviewed.	Valuation reconciliation	1	No exceptions noted
	e) Management regularly reviews all sources of income and monitors compliance with both the terms of the contract with the customer (i.e. grant agreement) and any relevant Council policies.	Monthly statement of financial activity	2	No exceptions noted
	f) Revenue is compared to budget; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
Receivables	a) Receivables and revenue are compared to budget monthly; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
	b) Management reviews provision for doubtful debts on a regular basis.	Monthly statement of financial activity	2	No exceptions noted
	c) Management reviews debtors ageing profile on a monthly basis and investigates any outstanding items.	Monthly statement of financial activity	2	No exceptions noted
	d) Trade receivables age listing reconciliation to the general ledger is reviewed at least monthly.	Reconciliation	2	No exceptions noted
	a) Management reviews journal transactions to the bank account.	Bank reconciliations	2	No exceptions noted



Risk area	Monitoring activities to be verified	Source	Sample Size	Error or Exceptions noted
Bank accounts and banking	b) Management reviews bank reconciliations monthly to confirm large outstanding items are adequately explained and subsequently resolved.	Bank reconciliations	2	No exceptions noted
Investments	a) Review the council investment performance regularly.	Monthly statement of financial activity	2	No exceptions noted
	b) Actual investment income compared to budget on a regular basis; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
	c) Investments register maintained in accordance with regulations and investment policy.	Investment register / Reserve Bank account reconciliation	2	No exceptions noted
	d) Reconciliation of investment register to general ledger routinely prepared and reviewed.	Investment register / Reserve Bank account reconciliation	2	No exceptions noted
Payroll	a) Management reviews employee costs against budget on a monthly basis and investigates any outstanding items.	Monthly statement of financial activity	2	No exceptions noted
	b) Each departmental manager performs a regular review of reports detailing all employees listed on payroll master file; all unusual items are investigated.	Employee master file reports	2	No exceptions noted
	c) Salary and hourly payroll reports (including compensation and withholding information) are reviewed and approved by management before payments are approved.	Payroll reports	3	No exceptions noted
	d) The payroll deduction table data is periodically reviewed by management for accuracy and ongoing pertinence.	Payroll reports	3	No exceptions noted



Risk area	Monitoring activities to be verified	Source	Sample Size	Error or Exceptions noted
	e) Management reviews a selection of salary sacrifice calculations for accuracy and compliance with statutory requirements; identified errors are promptly corrected.	Payroll reports	3	No exceptions noted
	f) Each pay run is reviewed prior to authorisation for payment for consistency with prior pay runs and for abnormal items such as overtime.	Payroll reports	3	No exceptions noted
Purchasing, procurement and payments	a) Actual expenditure is compared to budget monthly; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
	b) A list of all payments is prepared and presented monthly to the council; management reviews, investigates and explains any unusual or large payments.	Accounts and statement of accounts report presented to Council	2	No exceptions noted
	c) Management reviews supporting documentation before approving payments.	Payment listings	3	Exception 2
Trade payables	a) Management reviews trade payables ageing profile on a monthly basis and investigates any outstanding items.	Monthly statement of financial activity	2	No exceptions noted
	b) Trade payables age reconciliation to the general ledger is reviewed at least monthly.	Trade payables age reconciliation	2	No exceptions noted
Fixed Assets	a) Management compare actual fixed asset balance to budget; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
	b) Activity recorded in fixed asset register is reviewed by management, including comparison to the capital budget.	Asset register	2	No exceptions noted



Risk area	Monitoring activities to be verified	Source	Sample Size	Error or Exceptions noted
	c) Management regularly reviews valuation of fixed assets (i.e. methodology and useful lives of assets) to ensure that assets' valuation is appropriate and in accordance with Australian Accounting Standards.	Revaluation reports	1	No exceptions noted
	d) Management reviews depreciation rates and methodology (at least annually) to ensure that rates and remaining useful lives are reasonable.	Asset register	1	No exceptions noted
	e) Fixed asset register to the general ledger reconciliation is prepared and reviewed routinely.	Fixed asset register reconciliation	1	No exceptions noted
Borrowings	Borrowings actual and interest charges are compared to budget monthly; management reviews, investigates and explains significant variances.	Monthly statement of financial activity	2	No exceptions noted
General Journals	All journals are independently reviewed (including check to ensure correct account allocation) and contain sufficient support information.	Journal listing	1	No exceptions noted
General IT Risks / General Computer Controls	Regular IT audits performed focusing on data accuracy, retention, recovery and security. Results of these IT Audits reviewed by management and action plan promptly implemented.	IT audit reports	1	Exception 3

5.2 Key control activities

Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
Annual Budget	a) Employees responsible for budget preparation are competent and adequately trained.	HR records	1	No exceptions noted
Financial Report Preparation	b) Employees responsible for financial report preparation are competent and adequately trained.	HR records	1	No exceptions noted



Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	c) All journal entries require supporting documentation. Any non-routine entries require documented approval prior to being posted.	Journal support	1	No exceptions noted
	d) Accounting software used contains application controls that prevent or detect an error from occurring.	Synergy application controls	1	No exceptions noted
Payroll	a) Payroll staff are competent for their assigned tasks, adequately trained and supervised.	HR records	1	No exceptions noted
	b) Persons processing payroll are independent of other payroll functions, such as hiring/firing of staff, timekeeping and EFT payment.	Payroll walkthrough	1	No exceptions noted
	c) Approval in writing is obtained before adding new employees to payroll.	Evidence of approval	1	No exceptions noted
	d) Signed and dated approval of each employee's pay rate is documented on employee file.	Evidence of approval	1	Exception 4
	e) Timesheets and totals of hours worked are approved before being processed for payment	Timesheets	3	No exceptions noted
	f) Procedures exist to ensure terminated employees are immediately removed from payroll.	Terminations	2	Exception 5
	g) Payroll register is reconciled to the general ledger and reviewed by a senior officer independent of payroll.	Payroll register reconciliation	3	No exceptions noted
	h) Costs by sub program, are compared to budget.	Payroll reports	2	No exceptions noted
	i) Staff required to take their leave entitlements annually.	Leave balances report	2	No exceptions noted



Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
Revenue (including Rates and other sources)	a) Rates/debtors officers are competent for their assigned tasks, adequately trained and supervised.	HR records	1	No exceptions noted
	b) Monthly statements are issued to trade debtors.	Monthly statements	2	Exception 1
	c) Rates are raised in line with the approved budgeted rate in the dollar.	Rates notices	1	No exceptions noted
	d) The rate record is updated and reconciled monthly to the Valuer Generals Office (VGO) records.	Rates reconciliation	2	No exceptions noted
	e) Documented procedures are in place to ensure the VGO is informed of any building works approved.	Rates walkthrough	1	Exception 6
	f) The rates ledger is reconciled to the General ledger.	Rates reconciliations	1	No exceptions noted
	g) The approved schedule of Fees and Charges is used for invoice preparation. Exceptions require documentation and approval	Receipts sample	5	Exception 7
	h) Automatic or manual checks are performed on serial continuity of invoice documents.	Synergy system controls	1	No exceptions noted
	i) Credit note approvals are independent of accounts receivable.	Credit notes	3	Exception 8
Receivables, Receipting, Banking, Investments	a) Staff handling cash receipts and managing receivables are competent for their assigned tasks, adequately trained and supervised.	HR records	1	No exceptions noted
	b) Bank reconciliation is prepared monthly (with statements from bank) and management approval documented.	Bank reconciliations	2	Exception 9



Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	c) Customers are informed (signs, etc.) that they should obtain receipts.	Observation	1	No exceptions noted
	d) Pre-numbered cash receipts are issued for every cash sale. Serial continuity is reviewed periodically and checked against cash deposits data.	Cash receipts sequence	1	No exceptions noted
	e) When opening mail, cheques are stamped "for deposit only" with the local government bank account number. Cheques received are listed, totalled and reviewed before deposit.	Cash deposit batches	3	No exceptions noted
	f) All receipts cash/cheques are deposited on a regular and timely basis.	Cash deposit batches	3	No exceptions noted
	g) Reconciliation of daily deposit total to receivable posting and cash sales is prepared and reviewed.	Daily deposit reconciliations	3	No exceptions noted
	h) A reconciliation of aged receivables to control accounts is prepared monthly and management approval documented.	Aged receivables reconciliation	2	No exceptions noted
	i) Procedures exist to ensure receipts are recorded in the correct period.	Receipts walkthrough	1	Exception 10
	j) Significant overdue customer accounts are investigated by management and actions taken documented.	Client prepared documentation	1	No exceptions noted
Purchases, payables, payments	a) Personnel responsible for the purchasing, shipping, receiving and payable functions are competent, adequately trained and supervised.	HR records	1	No exceptions noted
	b) Management reviews outstanding cheques on period-end bank reconciliation.	Bank reconciliations	2	No exceptions noted



Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	c) Pre-numbered cheques are used EFT's are allocated a sequential number for each creditor payment and details for every number is documented. Spoiled cheques are clearly marked "VOID" and cancelled.	Cheques and EFT batches	3	No exceptions noted
	d) The purchasing policy clearly defines who can issue purchase requisitions/orders and to what dollar limit.	Purchasing policy	1	No exceptions noted
	e) Access to purchasing, receiving, accounts payable, and inventory records is restricted to authorised personnel.	Synergy controls	1	No exceptions noted
	f) Spending limits are set by budget or individual levels of authority. These limits are monitored by the system or manually.	Synergy controls	1	No exceptions noted
	g) A list of preferred suppliers is maintained and used where possible.	Client prepared documentation	1	No exceptions noted
	h) Controls exist to ensure corporate buying cards/credit cards are only issued to authorised staff and personal purchases are not allowed.	Credit card policy	1	No exceptions noted
	i) Pre-numbered purchase orders and receiving reports are used and exceptions are approved and documented.	Purchase order sequence	1	No exceptions noted
	j) Period-end procedures exist to detect and account for unprocessed goods/service receipts.	Client prepared documentation	1	No exceptions noted
	k) Personnel receiving goods do not perform any accounting functions.	Purchases walkthrough	1	No exceptions noted
	l) An aged accounts payable listing is reconciled to general ledger each month and exceptions investigated by management.	Aged accounts payable reconciliation	2	No exceptions noted



Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	m) Aged report of open orders is reviewed each month and old/unusual items are investigated.	Aged report of open orders	3	Exception 11
	n) Unit prices on invoices received are checked against price lists, quotes or approved purchase orders. Invoices are checked for correct calculations, discounts, taxes and freight before payment	Client prepared documentation	23	Exception 12
	o) System has checks to prevent duplicate payments on same order.	Synergy controls	2	No exceptions noted
	p) A list of accounts for payments is prepared in line with the legislation and authorised by council or a person with delegated authority before cheques are signed or EFT is authorised.	Accounts and statement of accounts report presented to Council	5	No exceptions noted
	q) Signing officers examine supporting documentation to payments and document approval.	Payment batch documentation	1	No exceptions noted
	r) All cheques must be made out to authorised vendors and cannot be made out to "cash".	Cheque butts	2	No exceptions noted
	s) A reconciliation of the accounts payable sub ledger to the general ledger is prepared monthly and approved by management.	Accounts payable sub ledger reconciliation	2	No exceptions noted
	t) Suppliers' statements are reconciled to accounts payable monthly and reviewed by management.	Supplier statements reconciliations	1	Exception 13
	u) Procedures exist to ensure payments are recorded in the correct period.	Purchases walkthrough	1	Exception 14
	v) Procedures exist to ensure all bank accounts and signatories are authorised by council.	Cash cycle documentation	1	No exceptions noted



Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	w) The accounting policy for when goods should be capitalised is documented and clearly understood by accounting personnel.	Accounting policy, capital purchases	1	No exceptions noted
	x) Management regularly compares actual purchases (costs and expenses) to budgeted purchases and investigates and documents variances.	Monthly statement of financial activity	2	No exceptions noted
	y) Management follows up creditor queries on a timely basis.	Aged creditor listing	2	No exceptions noted
	z) Management addresses the reasons for debit balance creditor accounts on a timely basis.	Aged creditor listing	2	No exceptions noted
Fixed Assets, Inventories and Portable and Attractive Items	a) Appropriate approvals for additions and disposals are in place and documented in accordance with the requirement of the Act.			No exceptions noted
	b) Assets that are portable and attractive that are not considered Fixed Assets are maintained in a Portable and Attractive Register.			Exception 15
	c) At least annually a stocktake of physical assets, inventories and portable and attractive items is undertaken.			Exception 16
Borrowings	a) Borrowings are carried out in accordance with the Act and appropriate approvals and delegations.			No exceptions noted
	b) A borrowings policy is implemented, and borrowings are conducted in accordance with the policy.			No exceptions noted
	c) The long-term impact of borrowings is considered prior to approval of borrowings			No exceptions noted



Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
General Journals	a) Personnel responsible for completing journals are competent, adequately trained and supervised.			No exceptions noted
	b) All journals are independently reviewed (including check to ensure correct account allocation) and contain sufficient support information prior to processing.			No exceptions noted
	c) Limited amount of personnel has authorisation and access to process a general journal.			No exceptions noted
IT Risks/General Computer Controls	a) Management should ensure good security policies and practices are implemented and continuously monitored.			No exceptions noted
	b) Local governments should have an appropriate business continuity plan, disaster recovery plan and incident response plan to protect critical services and systems from disruptive events. These plans should be tested on a periodic basis to ensure unexpected events do not affect business operations.			Exception 17
	c) Implementation of a risk management framework around general computer controls, which is regularly reviewed and considered as part of core business activities.			Exception 17
	d) Appropriate policies and procedures are in place to manage incidents, IT risks, information security and business continuity.			No exceptions noted
	e) IT strategic plans and objectives support overall organisation strategies and objectives.			Exception 17



Risk area	Key control activities to be verified	Source	Sample Size	Error or Exceptions noted
	f) Change control processes should be well developed and consistently followed when applying patches, updating or changing computer systems. All changes should be subject to thorough planning and impact assessment to minimise the occurrence of problems. Change control documentation should be current, and approved changes formally tracked.			No exceptions noted
	g) Physical and environmental control mechanisms to prevent unauthorised access or accidental or environmental damage to computing infrastructure and systems are in place and tested regularly.			No exceptions noted



6 Recommendations

Although the primary purpose of our engagement was to enable us to issue the above described report, we also provide you with recommendations in Appendix A for strengthening controls, if such matters are observed during the process of the engagement. While issues raised may not represent deficiencies in the appropriateness and effectiveness of the financial management systems and procedures, our recommendations will address areas where we believe controls could be improved.

7 Restriction on distribution and use of report

This report is intended solely for the use of the Shire for the purpose set out above. As the intended user of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ASRS 4400, distribution of this report is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results). Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than the Shire for any consequences of reliance on this report for any purpose.

RSM AUSTRALIA PTY LTD

A handwritten signature in blue ink, appearing to read 'T Bate', is written over a faint, light blue circular stamp.

Geraldton, WA
Dated: 26 June 2026

T BATE
Director

APPENDIX A

SHIRE OF MURCHISON**FINANCIAL MANAGEMENT REVIEW****SIX MONTHS ENDED 31 DECEMBER 2025****FINDINGS IDENTIFIED DURING THE REVIEW**

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1 Statements of accounts receivable are sent to customers enabling review			✓
2 Management should review supporting documentation before approving payment		✓	
3 Regular IT audits focusing on data accuracy, retention, recovery and security should be performed. Results of these IT Audits reviewed by management and action plan promptly implemented.		✓	
4 Signed and dated approval of each employee's pay rate should be documented on the employee file.		✓	
5 Procedures should exist to ensure terminated employees are removed from payroll.		✓	
6 The Shire should have documented procedures to ensure the Valuer Generals Office (VGO) is informed of any building works approved.			✓
7 The approved schedule of Fees and Charges should be used for invoice preparation. Exceptions should require documentation and approval.			✓
8 Credit note approvals should be independent of accounts receivable.		✓	
9 Bank reconciliations should be prepared monthly (with statements from bank) and management approval documented.			✓
10 Procedures exist to ensure receipts are recorded in the correct period.			✓
11 An aged report of open orders should be reviewed each month and old/unusual items investigated.		✓	
12 Unit prices on invoices received are checked against price lists, quotes or approved purchase orders.			✓

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SHIRE OF MURCHISON
FINANCIAL MANAGEMENT REVIEW
SIX MONTHS ENDED 31 DECEMBER 2025
FINDINGS IDENTIFIED DURING THE REVIEW

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Invoices are checked for correct calculations, discounts, taxes and freight before payment			
13 Suppliers' statements should be reconciled to accounts payable monthly and reviewed by management.			✓
14 Procedures should exist to ensure payments are recorded in the correct period.			✓
15 Assets that are portable and attractive that are not considered Fixed Assets are maintained in a Portable and Attractive Register.		✓	
16 At least annually a stocktake of physical assets, inventories and portable and attractive items is undertaken.		✓	
17 Local governments should have an appropriate business continuity plan, disaster recovery plan and incident response plan to protect critical services and systems from disruptive events. These plans should be tested on a periodic basis to ensure unexpected events do not affect business operations. Implementation of a risk management framework around general computer controls, which is regularly reviewed and considered as part of core business activities. IT strategic plans and objectives support overall organisation strategies and objectives	✓		

APPENDIX A

SHIRE OF MURCHISON**FINANCIAL MANAGEMENT REVIEW****SIX MONTHS ENDED 31 DECEMBER 2025****FINDINGS IDENTIFIED DURING THE REVIEW****KEY TO RATINGS**

The Ratings in this management letter are based on the 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.

Management Comments

2022 Review had 18 Items. (0 Significant, 15 Moderate and 3 Minor)

2026 Review has 17 Items (1 Significant, 8 Moderate and 8 Minor) of which 10 related to the same control but rating had decreased from moderate to minor

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SHIRE OF MURCHISON
FINANCIAL MANAGEMENT REVIEW
SIX MONTHS ENDED 31 DECEMBER 2025
FINDINGS IDENTIFIED DURING THE REVIEW

Exception 1**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, periodic accounts receivable statements are generated from the financial system and issued to customers, enabling them to review outstanding balances and notify the local government of any discrepancies.

Finding:

Upon review of monthly debtor statements being sent to customers, it was established that these were not sent out for August 2025 and November 2025.

Rating: Minor

Implication:

Risk of delayed cash inflows due to late customer payments, negatively impacting the Shire's cash balance and ability to meet its obligations.

Recommendation:

Send monthly statements to customers.

Management Comments

Concur

Improved checklist exists. Additional review and sign off to be introduced as part of end of month procedures

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SIX MONTHS ENDED 31 DECEMBER 2025
FINDINGS IDENTIFIED DURING THE REVIEW

Exception 2**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, management should review supporting documentation before approving payment.

Finding:

From our sample of twenty-three, we noted:

1. A total of 5 samples from 23 didn't have a quotation available to compare and agree to invoice detail.
2. 1 selection out of 23 where there was insufficient evidence that the required number of quotations were obtained.

Rating: Moderate

Implication:

Review of supporting documentation should include the payments compliance with the purchasing policy. Non-compliance with the Shire's purchasing policy increases the risk of breaching Part 4 of the *Local Government (Functions and General) Regulations 1996* and regulation 11 of the *Local Government (Financial Management) Regulations 1996*. There is a further risk of not achieving the objectives of 'Value for Money' as stated in section 1.3 of the Shire's Policy and Procedures Manual as updated 28/11/2024.

Recommendation:

The Shire should develop, document and implement guidance on the proper application of the purchasing policy. The guidance should include a requirement for appropriate documentation to be filed with each authorised purchase order and sufficient notation to be made on the authorised purchase order to verify compliance with the purchasing policy.

Summary checklist to be included, reviewed and signed off by management for each payment,

Management Comments

Summary evaluation checklist has been in operation . Improvements in processes to be implemented.

Most of the examples relate to operations such as

- those within the roadhouse where goods and supplies are purchased from known regular suppliers where it is impracticable to get quotes

- plant repairs on a negotiated rate where the scope of work can only be determined once work commences with the source of engagement invariably limited

Whilst the current evaluation documentation system if implemented is sufficient it would be advantageous to review the current policy to reflect these types of situations

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FINANCIAL MANAGEMENT REVIEW
SIX MONTHS ENDED 31 DECEMBER 2025
FINDINGS IDENTIFIED DURING THE REVIEW

Exception 3**Monitoring or Key Control Activity:**

As per *Section 7.3 of the Western Australian Local Government Accounting Manual Edition 3*, regular IT audits focusing on data accuracy, retention, recovery and security should be performed. Results of these IT Audits reviewed by management and action plan promptly implemented.

Finding:

From our review, we were unable to ascertain the last time such an IT audit was undertaken.

Rating: Moderate

Implication:

IT audits help to identify potential weaknesses in data accuracy, retention, recovery and security.

Recommendation:

A comprehensive, independent, IT audit that will address the key aspects of IT controls, should be conducted regularly.

Management Comments

Concur

Arrange review with PCS and have this reviewed

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SHIRE OF MURCHISON
FINANCIAL MANAGEMENT REVIEW
SIX MONTHS ENDED 31 DECEMBER 2025
FINDINGS IDENTIFIED DURING THE REVIEW

Exception 4**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, signed and dated approval of each employee's pay rate should be documented on the employee file.

Finding:

Changes to employee payrates are documented on the employee file with sign off by the Community Manager/DCEO. Payrates are updated by the Finance Officer, however, there is no independent review of the details changed in the payroll system. Payrates are checked with each pay run by the Manager.

Rating: Moderate

Implication:

The lack of independent review of changes to the payroll system increases the risk that errors or anomalies with the payroll details may not be detected. This could in turn lead to over or underpayment of employees and associated obligations.

Recommendation:

The details changed in the payroll system should be independently reviewed and documentation of the review retained.

Management Comments

Noted

Current pay rates are reviewed at payroll. Additional confirmation sign off at system implementation with screenshots of system changes much like current creditors processes to be added to current procedures

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Exception 5**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, procedures should exist to ensure terminated employees are removed from payroll.

Finding:

Per enquiries of shire staff, there is currently no documented procedure for the removal of terminated employees from payroll nor a cessation checklist. Terminations are advised by Community Manager to Finance Officer and then checked as part of regular payroll process.

Rating: Moderate

Implication:

The lack of a documented procedure for the removal of terminated employees from payroll and cessation checklist increases the risk that terminated employees are not removed from payroll and from other shire applications in a timely manner.

Recommendation:

A documented process for the removal of terminated employees from payroll and other shire applications should be developed and implemented.

Management Comments

Noted

Review current procedure which exists for payroll and check list for termination for other Shire applications

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Exception 6**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, the Shire should have documented procedures to ensure the Valuer Generals Office (VGO) is informed of any building works approved.

Finding:

From our review of rating procedures, the Shire does not have documented procedures to ensure the VGO is informed of any building works approved.

Rating: Minor

Implication:

Approved building works could impact the rateable value of properties. Where the VGO is not notified of approved building works, this could result in the rateable value of a property being understated and in turn result in rates being undercharged.

Recommendation:

The Shire should implement documented procedures to ensure the VGO is informed of any building works approved.

Management Comments

Not Applicable

Murchison Shire is exempt from issuing building permits. Rating in Murchison is by Unimproved Value

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Exception 7**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, the approved schedule of Fees and Charges should be used for invoice preparation. Exceptions should require documentation and approval.

Finding:

From our testing of fees and charges, we noted that one item for the movement of a grader was invoiced at a single value, unable to match the fees and charges schedule.

Rating: Minor

Implication:

The lack of detail on fees and charges invoices may lead to incorrect fees being charged.

Recommendation:

When items relating to fees and charges are invoiced, a detailed breakdown of item charges should be included to reconcile to the fees and charges schedule.

Management Comments

Concur

Reasons and explanations to be also added

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Exception 8

Monitoring or Key Control Activity:

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, credit note approvals should be independent of accounts receivable.

Finding:

From our review of three credit notes, we note that:

1. The Shire has a formal process for raising and approval of credit notes; and
2. Credit notes are raised by the administration officer, who also raises invoices.
3. One instance has been noted where approval and review was omitted on a credit note.

Rating: Moderate

Implication:

Risk that credit notes are processed without independent approval, increasing the likelihood of unauthorised adjustments, incorrect debtor balances, or reduced revenue.

Recommendation:

The Shire should implement a process to review credit notes to ensure approvals are in place for all of them.

Management Comments

Concur

Current practice of oversight by management exists but is not formally written as a process

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Exception 9**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, bank reconciliations should be prepared monthly (with statements from bank) and management approval documented.

Finding:

From our review of two months of bank reconciliations, we noted the following:

- All six bank accounts from the August 2025 Bank Reconciliations were not dated when signed by the preparer.

Rating: *Minor***Implication:**

Inconsistent application of bank reconciliation preparation and review procedures increases the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting. There is a further risk of non-compliance with regulation 5(2)(a) of the *Local Government (Financial Management) Regulations 1996*, which requires the CEO to ensure that the resources of the local government are effectively and efficiently managed.

Recommendation:

Bank reconciliations should be dated when prepared to ensure this is done timeously and not back dated when requested by reviewers.

Management Comments

Agree

In these instances existing processes of dating reconciliation was not completely followed.

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Exception 10**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, controls should exist to ensure receipts and sales invoices are recorded in the correct period.

Finding:

From review of fees and charges sample, one instance of a private works invoice was noted where no info appeared on invoice to determine which period the income relates to.

Rating: Minor

Implication:

Risk that revenue is recorded in the incorrect period, resulting in inaccurate financial results.

Recommendation:

It should be ensured that all private works invoices are issued with adequate information to determine date of work performed.

Management Comments

Concur

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Exception 11**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, An aged report of open orders should be reviewed each month and old/unusual items investigated.

Finding:

No evidence of a monthly review for an open order listing.

Rating: Moderate

Implication:

Review of open orders will help to identify any potential unrecorded creditors in a timely manner.

Recommendation:

A report of open purchase orders should be reviewed on a monthly basis and recorded as evidence hereof. Any old or unusual items should be investigated.

Management Comments

Concur

Processes to be added to end of month

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Exception 12**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, it must be ensured that unit prices on invoices received are checked against price lists, quotes or approved purchase orders. Invoices are checked for correct calculations, discounts, taxes and freight before payment.

Finding:

One exception was noted where 50% of allocation was posted to a different debit GL account from what appears on information on Purchase Order.

Rating: Minor

Implication:

Risk that expenditure is incorrectly coded to a different general ledger account than the approved purchase order, reducing the accuracy of budget monitoring and financial reporting.

Recommendation:

When payments are reviewed by management, allocations of invoices need to be checked by comparing to information as appearing on purchase order.

Management Comments

Noted

Changes later reflected picking up an incorrect allocation or error when the purchase order was raised

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Exception 13**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, suppliers' statements should be reconciled to accounts payable monthly and reviewed by management.

Finding:

From our review of accounts payable, we noted that suppliers' statements are not reconciled to accounts payable monthly and reviewed by management.

Rating: Minor

Implication:

Reconciling suppliers' statements to accounts payable reduces the risk of fraud, errors and omissions remaining undetected, which in turn could lead to misstatements in the Shire's financial reporting.

Recommendation:

The Shire should consider reconciling suppliers' statements to accounts payable monthly or if current controls are considered adequate.

Management Comments

Noted

Current controls are considered adequate and are undertaken based on overdue accounts

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Exception 14**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, procedures should exist to ensure payments are recorded in the correct period.

Finding:

Of the 23 samples, 6 was identified to have been captured in periods after invoice date (26%) for the period of review. Annual accruals are captured with compilation of annual financial statements.

Rating: Minor

Implication:

Risk that expenditure is not recorded in the correct month, resulting in misstatement of monthly expenses and financial results.

Recommendation:

The Shire should ensure it has developed procedures to assist with timeous capturing of invoices, aligning this to the open purchase order review will assist.

Management Comments

Noted

This aspect is picked up year end and included in Annual Financials

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Exception 15**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, it needs to be ensured that assets that are portable and attractive that are not considered Fixed Assets are maintained in a Portable and Attractive Register.

Finding:

A review of the plant register was performed and no evidence of portable attractive plant was sourced here, this is mostly linked to plant also appearing on the fixed asset register.

Rating: Moderate

Implication:

Risk that portable and attractive assets are not captured in a register, reducing accountability and increasing the risk of loss or theft.

Recommendation:

A portable and attractive asset register should be developed to monitor and track items.

Management Comments

Noted

Review and update of existing attractive asset register

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Exception 16**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, it needs to be ensured that at least annually a stocktake of physical assets, inventories and portable and attractive items is undertaken

Finding:

From review it was determined that physical counts aren't performed for:

1. Physical Assets, and
2. portable and attractive items

Rating: Moderate

Implication:

Risk that physical assets and portable and attractive items are not subject to annual verification, resulting in inaccurate asset records and increased risk of undetected loss, theft or misuse.

Recommendation:

The Shire should implement processes to ensure that annual counts are performed on these assets, with evidence saved for future review.

Management Comments

Concur

Review and update current practice

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Exception 17**Monitoring or Key Control Activity:**

As per Section 7.3 of the *Western Australian Local Government Accounting Manual Edition 3*, supplemented by *DLGSC: Introduction to Local Government Accounting, section 4.4 Internal Control and Risk Management*, the following requirements are to be in place for IT Risk and General Computer Controls:

- Local governments should have an appropriate business continuity plan, disaster recovery plan and incident response plan to protect critical services and systems from disruptive events. These plans should be tested on a periodic basis to ensure unexpected events do not affect business operations.
- Implementation of a risk management framework around general computer controls, which is regularly reviewed and considered as part of core business activities.
- IT strategic plans and objectives support overall organisation strategies and objectives.

Finding:

From our review hereof it is noted that:

- no continuity- or incident response plan is currently available,
- no risk management framework around general computer controls is in place, and
- there is no IT strategic plan in place.

Rating: Significant

Implication:

Risk that, in the absence of documented and tested business continuity, disaster recovery and incident response plans, together with a formal IT risk management framework and IT strategic plan, the Shire is not adequately prepared to manage IT disruptions or cyber incidents. This may result in prolonged service interruptions, data loss, delayed recovery of critical systems and reduced oversight of IT risks.

Recommendation:

The Shire should prioritise the development and implementation of a structured plan to address and implement the required controls.

Management Comments

Concur