

## SHIRE OF CUNDERDIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Grant revenue has not been recognised in accordance with AASB 15	No		✓		
2. Sundry creditor reconciling item not cleared promptly	No		✓		
3. Fixed assets reconciliation not performed correctly	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 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.

**SHIRE OF CUNDERDIN**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**1. Grant revenue has not been recognised in accordance with AASB 15**

**Finding**

Grant income of \$41,375, relating to the Cunderdin Evacuation Centre Upgrades, was not recognised in accordance with AASB 15; as the obligations attached to this grant were not fulfilled.

**Rating:** Moderate

**Implication**

Non-compliance with AASB 15, resulting in an overstatement of the Shire's revenue and understatement of the contract liability.

**Recommendation**

The Shire should ensure this grant is recognised in accordance with AASB 15 at year end.

**Management comment**

*While the income was recorded as revenue there were also a purchase order in the system for the total project, Calculations will be made at year end to ensure the correct amount if any contract liability is recorded against all grant funding.*

**Responsible person:** Hayley Byrnes  
**Completion date:** 30 June 2024

**SHIRE OF CUNDERDIN**

**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024**

**FINDINGS IDENTIFIED DURING THE INTERIM AUDIT**

**2. Sundry creditor reconciling item not cleared promptly**

**Finding**

Our review of the Shire's sundry creditor reconciliations noted that there was a reconciling item of \$35,172 as at 31 March 2024. This reconciling item has been outstanding since the previous financial year.

The Deputy CEO has stated the reconciling item pertains to a creditor adjustment from the 2021-22 financial year that has yet to be subsequently reversed.

**Rating:** Moderate

**Implication**

Failure to detect and investigate erroneous or unusual reconciling items in a timely manner may result in a material misstatement.

**Recommendation**

We recommend that the sundry creditor reconciling item to be investigated and corrected at year end.

**Management comment**

*This was a journal made at the request of the previous auditors, it has now been corrected to record the transaction into the FY 23/24.*

**Responsible person:** Hayley Byrnes  
**Completion date:** 30 June 2024

## SHIRE OF CUNDERDIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

## FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

**3. Fixed assets reconciliation not performed correctly****Finding**

Our review of the Shire's monthly fixed asset reconciliation workings noted that the Shire has not been reconciling its fixed asset register to the general ledger control accounts balance. The monthly workings performed during the period merely show the listing of general ledger control accounts and the sum of these accounts with no reference to the fixed asset register.

**Rating:** Moderate

**Implication**

Reconciliations are a key control for ensuring the completeness and accuracy of financial data within the general ledger from which financial statements are derived. The fixed asset reconciliation is a key reconciliation for the Shire.

Without this reconciliation being performed effectively on a regular basis there is an increased risk for fraud and or errors to go undetected and not be identified in a timely manner. This could result in significant variances at year end.

**Recommendation**

We recommend that the fixed asset reconciliation be performed at year end by reconciling the general ledger balance to the fixed asset register; and on a regular basis thereafter.

**Management comment**

*This was a new process that was being completed and has now been fine tuned using the advice from the auditors, this will continue to be completed using the new process.*

**Responsible person:** Hayley Byrnes

**Completion date:** 30 June 2024