

SHIRE OF CUNDERDIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Asset Stocktakes	No		✓		
2. Changes to Supplier Master File	No			✓	
3. Fair value of infrastructure assets - Frequency of valuations	No			✓	✓
<u>Information system</u>					
4. IT Governance, Policies and Procedures	No		✓		✓
5. Business Continuity	No		✓		
6. Change Management	No		✓		
7. Lack of Cybersecurity Training	No		✓		
8. Signed Service Level Agreement with IT Service Provider	No		✓		
9. Access Management	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.

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Minor - Those findings that are not of primary concern but still warrant action being taken.

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1. Asset Stocktakes

We noted that management has not implemented an asset stocktake process to physically verify its plant and equipment, and furniture and fittings assets.

We also noted that management has not implemented a stocktake process for its portable and attractive assets. Regulation 17B of the *Local Government (Financial Management) Regulations 1996* (the FM Regulations) requires reasonable steps to be taken to protect the Shire's portable and attractive assets.

Rating: Moderate

Implication

Without a periodic asset stocktake, there is a risk that discrepancies between the accounting and physical records may not be detected and corrected promptly. This could also result in failure to detect theft or loss, and/or misstatements of asset balances in the financial report.

Without a periodic stocktake of the Shire's portable and attractive assets, there is a risk that thefts or loss of these assets may not be detected early.

Recommendation

We recommend that management ensure regular asset stocktakes are carried out by independent officers, to confirm the existence and conditions of the Shire's fixed assets as well as the portable and attractive assets, and that records are updated promptly.

We also recommend that management develop asset stocktake procedures that outline the frequency of the stocktakes, the stocktake process and the responsibilities of the officers involved.

Management comment

An asset stocktake procedure will be developed and completed as part of the EOFY.

Responsible person: Hayley Byrnes- Deputy Chief Executive Officer

Completion date: 30/06/2024

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2. Changes to Supplier Master File

From our testing of 8 changes made to the supplier master file, we noted one instance where there was no evidence to show that an ABN check was performed on a new supplier.

Rating: Minor

Implication

Without sufficient background checks of new suppliers such as ABN checks, there is a risk that inappropriate or fraudulent payments could be made.

Recommendation

We recommend that management ensure background checks on new suppliers are performed where considered appropriate, and evidence of these checks such as ABN checks, are retained on file.

Management comment

All efforts are currently made to complete ABN checks when setting up master files and will continue to be made, the current process includes a check system to ensure the ABN check is attached. I believe this was attached to the document and may have been misplaced when filing.

Responsible person: Ashlei Otway- Finance Officer
Completion date: 1/07/2023

SHIRE OF CUNDERDIN**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****3. Fair value of infrastructure assets - Frequency of valuations**

The Shire has not performed a robust fair value assessment in 2022-23 to determine whether its infrastructure assets represent fair value at the end of the reporting period.

Regulation 17A(4)(b) of the FM Regulations requires a local government to revalue its revalued assets when it is of the opinion that the fair value is likely to be materially different to the carrying amount.

This finding was first raised in 2021-22.

Update to the FM Regulations:

We acknowledged that the FM Regulations was updated on 18 October 2023 and the fair value amendment, which applies from 2023-24, will just require the Shire to revalue its land, building and infrastructure assets every 5 years since the asset's last valuation date (Regulations 17A(4A)). The Shire may also revalue earlier if it chooses to do so (Regulation 17A(4B)).

Rating: Minor (2022: Significant)**Implication**

Without a robust assessment of fair value of the Shire's infrastructure assets, there is a risk that the fair value of infrastructure assets may not have been assessed adequately, and in compliance with AASB 13 Fair Value Measurement, as well as Regulation 17A(4)(b) of the Regulations.

Recommendation

We recommend that the Shire comply with the fair value requirements of the updated FM Regulations for 2023-24 and onwards.

Management comment

The Shire currently undertakes the asset revaluations as required under the act and regulations, and consideration is given to the fair value of assets and if deemed necessary by management a robust assessment would be undertaken. The Shire does not deem it necessary to undertake a "robust assessment annually". After seeking guidance on what was deemed a "robust assessment" the Shire attempted to complete this for the EOFY and submitted this, however the submission was not deemed "robust enough".

We have been advised that this process will not be necessary to be completed in the future therefore decided that it was an inefficient use of time to complete further work on an assessment for this year.

Responsible person: Hayley Byrnes- Deputy Chief Executive Officer
Completion date: 30/06/2024

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4. IT Governance, Policies and Procedures

IT policies and procedures

The Shire does not have comprehensive IT and cyber security policies and procedures.

This finding was first raised in 2020-21 under the heading '*IT related issues*'.

IT Strategic Plan

The Shire does not have a structured IT strategic plan to align IT initiatives with the overall business objectives.

Rating: Moderate (2022: Significant)

Implication

Without comprehensive IT and cyber security policies and procedures to provide guidance to staff, there is a risk that the Shire could be exposed to cyber security risks, which could lead to data breaches or unauthorised access.

Without an appropriately approved IT Strategic Plan, there is a risk that IT resources will not be aligned to the business strategy and priorities.

Recommendation

We recommend that management:

- develop and implement IT and cyber security policies covering key areas such as data security, access control, password management, backup plans, incident response, and system maintenance
- establish a structured IT Strategic Plan that aligns technology initiatives with Shire's overall business objectives.

Management comment

An IT policy was adopted in July 2023.

The Shire will develop and implement an IT Strategic Plan.

Responsible person: Hayley Byrnes- Deputy Chief Executive Officer

Completion date: 30th June 2024

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5. Business Continuity

We noted that the Shire does not have a Business Continuity Plan (BCP) and a well-defined Disaster Recovery Plan (DRP).

Rating: Moderate

Implication

Without a BCP and DRP, the Shire is vulnerable to extended downtime, data loss, financial setbacks, and potential legal and regulatory consequences. These plans guide the Shire's response to events that disrupt their operations.

Recommendation:

We recommend that management develop and maintain an up-to-date Business Continuity Plan (BCP) and well-defined Disaster Recovery Plan (DRP) for the Shire, and regularly test them.

Management comment

The Shire is currently working with IT service providers to develop a DRP and Business Continuity Plan this is scheduled to be completed early next year and will be implemented as soon as possible.

Responsible person: Hayley Byrnes- Deputy Chief Executive Officer
Completion date: 1/3/2024

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6. Change Management

We noted that there was no documented change management procedures to formalise the change management process.

Rating: Moderate

Implication

Without an effective change management process, there is an increased risk that changes made to IT systems may not be adequately planned, tested, recorded and authorised. The availability or security of IT systems could be compromised if changes made negatively impact them.

Recommendation

We recommend that management formalise the change management process and ensure changes made to the IT systems are appropriately managed, and key information are consistently recorded.

Management comment

The Shire currently has a process in place to complete changes that is followed, this will be documented.

Responsible person: Hayley Byrnes- Deputy Chief Executive Officer
Completion date: 31/12/2023

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7. Lack of Cybersecurity Training

We noted that the Shire's employees have not received any cyber security related training.

Rating: Moderate

Implication

Without adequate cyber security related training, there is a risk that staff may not have the knowledge and skills to recognise and respond to security incidents, which could increase the Shire's susceptibility to phishing attacks, malware infections and other cybersecurity risks.

Recommendation

We recommend that management ensure all staff are provided with ongoing cyber security awareness training to raise their awareness of cyber threats. The training could cover key topics such as cybersecurity best practices, recognising phishing attempts, password management and data protection.

Management comment

The Shire currently have regular meetings to discuss Cyber Security and the trending threats, how to recognise them and what to do. We will record these meetings and look to implement some formal Cyber Security training in the future.

Responsible person: Hayley Byrnes- Deputy Chief Executive Officer
Completion date: 30/06/2024

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8. Signed Service Level Agreement with IT Service Provider

We noted that there was no signed service level agreement (SLA) between the Shire and its IT Service Provider.

Rating: Moderate

Implication

There is a risk that the IT Service Provider and the Shire may lack clarity about the expected levels of service delivery and the Shire may not receive the level of service they have paid for.

Recommendation:

We recommend that management ensure there is a signed SLA with the Shire's IT Service Provider to formalise the expected levels of service delivery.

Management comment

The Shire will work with IT service providers to ensure a signed SLA is in place.

Responsible person: Hayley Byrnes- Deputy Chief Executive Officer
Completion date: 31/03/2024

SHIRE OF CUNDERDIN**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****9. Access Management**

The Shire has seven administrative users and there was no regular review of privileged accounts in SynergySoft.

Rating: Moderate**Implication**

Without regular reviews of privileged accounts, there is an increased security risks as well as potential misuse of administrative privileges. Highly privileged accounts need to be managed to protect the confidentiality, integrity and availability of key systems and services.

Recommendation

We recommend that management review its current list of administrative users and perform regular reviews of privileged accounts, to ensure the administrative users continue to align with the business requirements.

Management comment

Access Management is maintained by the IT service providers and the DCEO, any changes completed are at the request of the DCEO once completed they are then conveyed to the CEO as part of the process.

Currently the Shire has (7) administrative users.

These are as follows:

Administrator – used by IT to complete updates and maintain software.

IT Vision x 2 – used by software providers to assist with maintenance and issues.

Contractors x 2 – used to assist with matters when needed.

DCEO – used to complete functions.

CEO – used to complete functions.

Management feels that there is little risk from the number of administrators and that to reduce the numbers and remove access will reduce the efficiency to complete urgent tasks.

A regular review can be undertaken of the users to ensure there are no additions/changes made with out need.

Responsible person: Hayley Byrnes- Deputy Chief Executive Officer
Completion date: 22/11/2023