



Our reference:

Your reference:

28 April 2026

Dear Hon Hannah Beazley Minister for Local Government

Re: Report on Significant Audit Findings

During Covid the Shire was not resourced well enough for audit readiness and relied on hardcopy systems. This led to delays in provision of information by the small three person administration team. While this mode of operation met local community standards it did not allow the organisation to provide information in a timely manner to external stakeholders. This initial delay was then compounded by Shire and Auditor assets having differing availability over subsequent years. At the time of this report an interim for the 2025/26 year is being undertaken showing that the audit timeline is finally back on track.

The Shire of Yalgoo Council received the audit reports for the years ending June 2023 and June 2024 in March 2026. This report details what has been implemented or planned with respect to significant audit findings reported by the Office of the Auditor General.

2023 Audit Report – Matters considered as significant (11)

Fair Value of land, buildings and infrastructure	Road valuations delayed due to significant natural disaster impacts	Completed as at 30 June 2025
Unexplained bank account variances	Delayed and under resourced bank reconciliations and audits. Significant work was undertaken to reconcile balances.	No further issues from 30 June 2025
General journal exceptions	Independent secondary review now requires a signature and evidence requirements have been increased.	Transitioned to electronic records management in 2025/26 so that evidence and signatures can be easily inspected.
Procurement exceptions	Practical amendments made to the Shires Purchasing Policy	Transitioned to electronic records management in 2025/26 so that purchase



		orders, quotes and review signatures can be easily inspected.
Information technology framework	A suitable IT agreement was in place. A new agreement meeting the Shires requirements was put to market in 2025.	Contracts and support from LGIS exist to meet the needs of the Shire, however contractors have been approached to further develop policies, plans and registers.
Non-compliance with Local Government Act and Regulations	See 2024 for Audit Risk and FMSR. The OAG have misinterpreted Shire Minutes and all financial activity statements were presented to Council in a timely manner.	Shire minutes are signed by the Shire President immediately upon acceptance. Provision of financial reports to the auditor have also met deadlines again after previous delays.
Credit Card Procedures	Due to audit delays evidence	All prior purchases have been independently reviewed and this is now also done by the Shire President.
Out of date council policy manual	All policies had been updated as and when required. The OAG is incorrect and Related Party and Model Code of Conduct Policies had previously been adopted by Council.	While all new or updated policies existed in published Shire Minutes not all had been incorporated into a consolidated manual. This was undertaken in February 25 and ongoing.
Masterfile accuracy and validity	This was previously carried out adhoc due to a small number of new creditors.	Processes have been updated and reviews are recorded. New software is proposed to be introduced to limit staff access to unrelated functions.
Daily banking reconciliations	Resourcing did not allow for this to occur on a timely basis.	This has been resourced by the organisation and occurs daily with review.
Key balance sheet reconciliations	Resourcing did not allow for this to occur on a timely basis.	This has been resourced by the organisation and occurs daily with review.

2024 Audit Report – Matters considered as significant (9)

Fair Value of land, buildings and infrastructure	Road valuations delayed due to significant natural disaster impacts	Completed as at 30 June 2025
Bank reconciliation	Delayed and under	No further issues from 30

variances	resourced bank reconciliations and audits. Significant work was undertaken to reconcile balances.	June 2025
General journal exceptions	Independent secondary review now requires a signature and evidence requirements have been increased.	Transitioned to electronic records management in 2025/26 so that evidence and signatures can be easily inspected.
Information technology framework	An suitable IT agreement was in place. A new agreement meeting the Shires requirements was put to market in 2025.	Contracts and support from LGIS exist to meet the needs of the Shire, however contractors have been approached to further develop policies, plans and registers.
Non-compliance with Local Government Act and Regulations	Contractor and staff availability and existing audit delays affected the timeliness of an Audit Risk Regulation 17 review and Financial Management System Review. The OAG is incorrect and it is minuted that a budget review was completed within the appropriate timeframe.	Review has been completed and incorporated into a multi year compliance calendar.
Out of date council policy manual	All policies had been updated as and when required. The OAG is incorrect and Related Party and Model Code of Conduct Policies had previously been adopted by Council.	While all new or updated policies existed in published Shire Minutes not all had been incorporated into a consolidated manual. This was undertaken in February 25 and ongoing.
Key balance sheet reconciliations	Resourcing did not allow for this to occur on a timely basis.	This has been resourced by the organisation and occurs daily with review.
Credit Card Procedures	Statements were not reviewed by the President	The Shire President now reviews on a timely basis.
Masterfile accuracy and validity	This was previously carried out adhoc due to a small number of new creditors.	Processes have been updated and reviews are recorded. New software is proposed to be introduced to limit staff access to unrelated functions.

In support of this report I would like to highlight that a number of State Agencies operating in this region experience similar hiring and resourcing delays.

The Yalgoo Primary School as an example has not received a dental visit for the past three years and the Public School Review is conducted Annually due to requirements not being met. Government Regional Officer Housing is unable to meet the requirements of the Residential Tenancy Act and social housing often sits empty for years at a time despite a waiting list.

While each of these significant findings present a risk none have been identified as impacting on service delivery and none have had financial implications for the local government, other than the burdensome administrative resourcing required to meet these improvements.

Yours sincerely

Ian Holland
Chief Executive Officer
Shire of Yalgoo

Report endorsed by Council at the Ordinary Meeting held on the 1st May 2026

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

1. Fair value of land, buildings and infrastructure

Finding

Roads infrastructure was last revalued in June 2018, and is therefore due for revaluation by June 2023 under Regulations 17A(4A)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations). No valuation has been performed by the Shire.

Additionally, for all other non-road categories of infrastructure as well as land and buildings there has been no formal assessment performed to determine whether these assets represent fair value at the end of the reporting period. These assets were last revalued in 2022. The same finding was noted in 2022 in respect of no assessment being performed in respect of the road infrastructure.

Rating: Significant (2022: Significant)

Implication

Due to no revaluation being undertaken for roads infrastructure, a qualification has been required due to non-compliance with the Regulations and the inability to determine the extent to which the carrying amount of road Infrastructure is misstated, as it was impracticable to do so. Additionally, we were unable to determine whether there may be any consequential impact on revaluation surplus as at 30 June 2023.

Without a robust assessment of fair value of the Shire's other non-roads infrastructure, land and buildings, there is a risk that the fair value of these assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*, as well as the Regulations.

Recommendation

We recommend management engage a reputable independent valuer and ensure the valuation for road infrastructure class of assets is performed in accordance with the applicable standards as soon as possible.

It is noted that the requirement that existed at 30 June 2023 for determining whether assets represent fair value at the end of the reporting period in the circumstances where no formal valuation has been undertaken during the period was removed from the Regulations for the 30 June 2024 financial year. Accordingly, no further action is required in respect of this matter going forward.

Management comment

The Shire was impacted by two flood damage events in 2020 and 2021 which damaged most of the road network. The restoration works were completed early 2025 followed by a comprehensive road valuation as at 30 June 2025.

Responsible officer: CEO
Completion date: June 2025

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023****FINDINGS IDENTIFIED DURING THE AUDIT****2. Unexplained bank account variances****Finding**

There were a number of reconciling items in the 30 June 2023 bank reconciliation which did not subsequently clear, as well as an overall variances between what the Shire-prepared 30 June 2023 municipal bank reconciliation showed the general ledger balance to be, compared to what the actual general ledger balance was. These items arose mostly over the course of the year ended 30 June 2023 and resulted in management having to undertake significant analysis.

Rating: Significant**Implication**

The unexplained variance in the bank reconciliation suggests that there may be discrepancies or omissions in the accounting records, which was evident in management's analysis and reconciliation procedures. This poses a risk of material misstatement in the financial statements, as the general ledger may not accurately reflect the true financial position of the Shire.

Furthermore, the lack of reconciliation between the bank statement and the accounting records increases the risk of fraud or errors. Without an accurate reconciliation process, unauthorised transactions, misappropriations, or errors may go undetected, leading to further discrepancies in the financial statements.

Ultimately management wrote-back this a net reconciled balance of \$20,430 as at 30 June 2023 to decrease fees and charges income by \$29,417 and to decrease materials and contracts expenses by \$8,987. We were unable to obtain sufficient and appropriate audit evidence to support these adjustments. Consequently, we were unable to determine whether any further or alternate adjustments might have been necessary. Given that this represents a limitation of our audit work, it was concluded that the audit opinion would be qualified.

Recommendation

We recommend, to mitigate the risk of future variances, the implementation of more rigorous and timely bank reconciliation procedures. These should include regular, documented reviewed of the reconciliation process to ensure all discrepancies are promptly identified and resolved.

Management comment

Monthly bank reconciliations were implemented in 2023/24 and further refined in 24/25. From 24/25, the bank reconciliations are now controlled through the software.

Responsible officer: CEO

Completion date: January 2024 and May 2025

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

3. General journal exceptions

Finding

Our sample testing of 10 general journal entries identified 1 instance where there was no documentation retained to support the general journal entry, nor were these journals signed as evidence of independent review. We have additionally noted that there were a significant number of general journal entries that were posted directly to the bank account.

Rating: Significant

Implication

The absence of supporting documentation and independent review of general journals increases the risk of errors, omissions or fraudulent activities not being detected in a timely manner. There is a further risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulation 1996.

Journal entries posted directly to the bank account also compound issues with reconciling the bank balance given this is not how receipts and payments should be processed through an accounting system.

Recommendation

We recommend that support is retained for all general journals and the journals are signed as evidence of independent review. Management should additionally ensure that there are no journal entries posted directly to the bank account general ledger.

Management comment

Journals are now reviewed with all evidence attached to the journal.

The Shire will continue raising journals to the bank account ledger where appropriate and ensure proper evidence is kept.

Responsible officer: CEO
Completion date: December 2024

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

4. Procurement exceptions

Finding

Our sample testing of 25 payments identified the following exceptions where purchasing policies and procedures were not followed:

eight instances where the minimum number of quotes required was not obtained

three instances where the purchase order was dated after the date of the invoice

three instances where the batch report was only signed by one signatory

two instances where no purchase order was raised.

We also identified a creditor batch payment of \$55,656 was duplicated on both the 21 April 2023 and 24 April 2023, resulting in the Shire needing to recover the overpayments made to suppliers.

Rating: Significant

Implication

There is an increased risk of unauthorised purchases and non-compliance with the Shire's purchasing policies and procedures are not being followed. Duplicate payments could result in additional funds paid not being recovered.

Recommendation

The requirement for full compliance with the Shire's purchasing policies and procedures should be communicated to all staff and be closely monitored by management. Specifically, the Shire should ensure:

the minimum number of quotes are obtained in accordance with the Shire's purchasing policy or documentation be maintained for any situations where the minimum number of quotes cannot be obtained

purchase orders are raised for all transactions prior to the expenditure being incurred by the Shire and only by an Officer with the appropriate authorisation

all batch reports are signed by both the preparer and reviewed to evidence independent review

Appropriate controls are put in place to ensure that duplicate payments are not made.

Management comment

Shire staff regularly test the market. The move to digital records has strengthened the procurement process, improved efficiency, reduced the need to duplicate printed quotes and helps ensure quotes are stored with purchase orders.

The Shire has discussed amendments to the Purchasing Policy including restricting employees who can authorise expenditure, the removal of paper purchase orders and amendments to the number of quotes needed and the dollar categories. This will be implemented with the new accounting system.

Batch reports are now reviewed by an appropriate person and signed by the preparer and a senior staff member.

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

All money was recovered from the double payment. The Shire has been able to increase resources and better separate duties, which has strengthened the controls reducing the risk of double batch payments.

Responsible officer: CEO
Completion date: July 2024 and July 2025

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

5. Information technology framework

Finding

Our testing and enquiries relating to IT and cyber security controls at the Shire identified the following;

there are no documented cyber security policies in place

whilst we understand the Shire's disaster recovery plan was in the process of being developed, the Shire did not have a formal disaster recovery plan in place at the time of our audit

there is no risk register in place in relation to specific information technology risks; and

the agreement with the Shire's IT consultant was signed in 2015 with no updated agreement subsequently entered into.

Rating: Significant

Implication

without documented cyber security policies and procedures outlining the controls regarding cyber security, there is an increased risk of vulnerability to cyber-attacks such as malware or phishing attempts

risk of significant delays and business interruption in the event of unforeseen circumstances

risk identification in respect of the IT framework has not been considered; and

increased risk of services provided by the IT consultant are outdated and do not meet the current needs of the Shire.

Recommendation

We recommend:

a documented cyber security policy and associated procedures and/or plans be developed and communicated to all staff

a Disaster Recovery Plan be developed, documented and periodically tested to ensure that in the event of a disaster, appropriate action can be taken

the Shire include IT related risks to their current risk register ensuring all current IT risks are considered and documented; and

a new updated agreement with the external IT consultant be developed and signed by both parties.

Management comment

There is an IT agreement in place. The Shire has spoken to an IT consultant about developing our policies, plans and registers. We have multiple large projects to complete in 2025/26 so this will occur once these are complete. The Shire will also do a review in 2026 with LGIS regarding IT and cyber improvements.

Responsible officer:

CEO

Completion date:

December 2026

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

6. Non-Compliance with Local Government Act and Regulations

Finding

We noted the following instances of potential non-compliance with the Local Government Regulations 1996:

five out of 16 of the minutes of Council meetings were not signed by the Shire President;

Financial Management System Review ("FMSR") was due to be completed in March 2023 in accordance with the requirements of the Local Government (Financial Management) Regulations 1996, however the review was completed in August 2024 and as at the date of this report, the final FMSR reports have not been issued;

Audit Regulation 17 Risk Review was due to be completed in March 2023 in accordance with the requirements of the Regulation 17 of the Local Government (Audit) Regulations 1996, however the review was completed in August 2024 and as at the date of this report, the final Regulation 17 review reports have not been issued; and

monthly financial activity reports were not presented to Council in a timely manner in accordance with the requirements of Regulation 34 of the Local Government (Financial Management) Regulations 1996. Specifically, July 2022 through to December 2022 were not presented to Council until March 2023.

the annual financial report for 30 June 2023 was not submitted to the auditor by 30 September 2023 which is the due date as per the Local Government Act 1995 (this matter was first raised in 2022).

Rating: Significant (2022: Moderate)

Implication

Non-compliance with the above-mentioned Local Government Regulations.

Recommendation

We recommend:

Council meeting minutes are signed at the next council meeting by the Shire President once minutes have been accepted by Council

the FMSR review is conducted every three years in order to satisfy the requirements of Regulation 5(2) of the Local Government (Financial Management) Regulations 1996

the Audit Regulation 17 Risk Review is conducted every three years in order to satisfy the requirements of Regulation 17.1 of the Local Government (Audit) Regulations 1996; and

monthly financial activity statement reports are presented to council within 2 months of the end of the month in accordance with Regulation 34 of the Local Government (Financial Management) Regulations 1996

the Shire should submit their annual report to the auditors by 30 September following each financial year or such extended time as the minister allows.

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

Management comment

The Shire has completed the FMSR and Reg 17 reviews and minutes are now signed regularly.

*July 2022 and August 2022 were adopted in September 2022 in accordance with the regulations.
The February 2023 monthly report was the only report taken to Council in March 2023.*

The Shire has taken the necessary steps to ensure reporting requirements are followed.

Responsible officer: CEO
Completion date: August 2024

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

7. Credit card procedures

Finding

Audit procedures identified 11 out of 12 months of credit card expenditure which was not individually itemised on the List of Payments presented to Council, and instead the balance accrued and owing was listed as the payment.

In addition, our audit sample testing with respect to credit cards identified the following:

two instances where invoices were addressed to Raul Valenzuela (President) rather than the Shire itself;

our review of the CEO credit card identified 24 instances totaling \$11,254.80 (out of a total spend for the year of \$41,834.68) where receipts or invoices were not provided to support expenditure incurred on the credit card (and no lost receipt/statutory declaration was completed); and

from our review of 100% of the credit card statements during the financial year, it was noted that none were independently reviewed by the Shire President.

This finding was first raised in 2019.

Rating: Significant (2022: Moderate)

Implication

non-compliance with Regulation 13(1) of the Local Government (Finance Management) Regulations 1996

failure to maintain adequate records to support credit card transactions, resulting in non-compliance with Local Government Operational Guidelines – Number 11 – September 2006 'Use of Corporate Credit Cards'

risk that error or fraud may not be detected on a timely basis.

This finding has been escalated to significant in the current year due to the ongoing non-compliance noted with documentation not being maintained.

Recommendation

In accordance with Regulation 13(1) of the *Local Government (Financial Management) Regulation 1996*, we recommend individual accounts paid be itemised on the List of Payments presented to Council which includes individual transactions incurred using the Shire's credit card.

In addition, supporting documentation should be maintained for all expenditure incurred using the Shire's credit cards. In the event the receipt or invoice is lost the credit card holder should complete a lost receipt/statutory declaration.

Management comment

This is now in place. Current credit card processing is prepared by a finance officer and reviewed by the DCEO. The credit card statements are signed by the CEO and President.

Responsible officer:

CEO

Completion date:

May 2025 and December 2025

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

8. Out of date council policy manual

Finding

Whilst completing our testing, we identified instances where the Manual does not reflect current practices and is potentially out of date:

Investment Policy not located in the Manual although as stated within Council minutes dated 28 January 2022, the Council resolved to adopt the policy and the Manual would be updated accordingly;

there is no documented Related Party Policy

Policy 7.2, Purchasing and Tenders does not allow for WALGA eQuotes and the tender limit reference is \$100,000 rather than the current limit of \$250,000

the risk management policy manual and the risk management plan refer to the wrong standard (AS/ISO 31000 2019 instead of AS/ISO 31000 2018); and

numerous policies in the Manual are either out of date or have further work required.

This finding was first raised in 2019.

Rating: Significant (2022: Significant)

Implication

Without approved and up to date policies and procedures, staff may be unaware of Council and management's expectations regarding how they conduct themselves and perform various key transactions and activities. This can make the Shire more susceptible to errors, fraud and/or non-compliance.

Recommendation

We recommend that each policy contained in the Manual is reviewed and updated to reflect the Shire's current practices. All new policies should be added to the Manual.

In addition, we recommend that the Shire develop and implement a Related Party Policy and adopt the Model Code of Conduct for Elected Members.

Management comment

The Policy Manual has been reviewed and a Related Party Policy will be developed as soon as time permits.

Responsible officer:

CEO

Completion date:

February 2025 and December 2026

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

9. Masterfile accuracy and validity

Finding

Changes made to the supplier, employee, debtors and fixed assets masterfiles were not independently reviewed and authorised. While we understand EFTSure has since been implemented, no evidence of independent review of the masterfile changes was provided. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.

This finding was first raised in 2019.

Rating: Significant (2022: Significant)

Implication

There is an increased risk that:

- required changes to the masterfiles are untimely
- erroneous changes made to masterfiles have a low chance of being detected in a timely manner; and
- suspicious/fraudulent changes made to masterfiles have a low chance of being detected in a timely manner.

Recommendation

We recommend an independent review of all changes made to masterfiles be conducted periodically. This review should involve:

- a download of all changes made to each masterfile
- a representative sample be tested and traced to originating/supporting documentation to assure validity and timeliness; and
- a review of any suspicious masterfile changes (e.g. changes to bank details, unusual variations to pay-rates and amendments to existing supplier bank account details) be performed.

Management comment

We have improved the new creditor processes with further work to do. Currently, new creditors need to be entered into the system and signed off. A senior staff member must review and sign off. The next step which will begin soon is a review of the audit trail for new suppliers. This will be completed as part of the 25/26 year.

Responsible officer: CEO
Completion date: December 2025

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

10. Daily banking reconciliations

Finding

We identified that daily banking reconciliations for all 26 days sampled were either not signed by the reviewer as evidence of independent review and/or not signed by the preparer.

This finding was first raised in 2019.

Rating: Significant (2022: Significant)

Implication

daily banking reconciliations sampled in most instances were either not completed or not signed by the preparer and/or the independent reviewer. This increases the risk of errors and omissions relating to cash remaining undetected

delayed review of bank statements and the allocation of associated cash receipts within Synergy increases the risk of the Shire not accounting for funds received in a timely fashion nor does it allow the Shire to actively manage its debtors

lack of timeliness of banking increases the risks of cash being misappropriated.

Recommendation

Daily banking reconciliations should be consistently prepared and adequately reviewed on a daily basis by an independent senior management staff member.

Management comment

Bank reconciliations are now done regularly and reviewed by a senior staff member monthly.

Responsible officer: CEO
Completion date: May 2025

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2023

FINDINGS IDENTIFIED DURING THE AUDIT

11. Key balance sheet reconciliations

Finding

During our review of the month end reconciliation procedures, we noted that the following key balance sheet accounts were not being reconciled to the general ledger on a monthly basis;

- trust account
- investments
- superannuation payable
- fixed assets
- sundry debtors
- sundry creditors
- rates debtors; and
- rates valuations.

This finding was first raised in 2019.

Rating: Significant (2022: Significant)

Implication

By key balance sheet accounts not being reconciled to the general ledger on a regular basis there is an increased risk that errors, imbalances or fraud will not be detected on a timely basis, which in turn could lead to misstatements in the Shire's financial reporting. This also represents non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend that key balance sheet accounts are regularly reconciled to the general ledger on a timely basis. This will ensure that any issues are detected on a timely basis. It is important that the balance sheet reconciliations are independently reviewed and signed off as evidence of independent review.

Management comment

Monthly reconciliations were strengthened in 2025 and now reviewed and signed by the DCEO and CEO.

Responsible officer: CEO
Completion date: January 2024 and May 2025

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

1. Fair value of road infrastructure

Finding

Roads infrastructure was last revalued in June 2018, and was therefore due for revaluation by June 2023 under Regulations 17A(4A)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations) which requires an asset to be revalued within a period of no more than 5 years after the day on which the asset was last valued or revalued. No valuation has been performed by the Shire during the financial years ended 30 June 2023 and 30 June 2024.

This finding was first raised in 2023.

Rating: Significant (2023: Significant)

Implication

The non-compliance with the Regulations resulted in the inability to determine the extent to which the carrying amount of Roads infrastructure is misstated including the consequential impact on the revaluation surplus, depreciation, net result for the period and retained surplus for the financial years ended 30 June 2023 and 30 June 2024.

Recommendation

We recommend management engage a reputable independent valuer and ensure the valuation for the road infrastructure class of assets is performed in accordance with the applicable standards as soon as possible.

Management comment

The Shire was impacted by two flood damage events in 2020 and 2021 which damaged most of the road network. The restoration works were completed early 2025 followed by a comprehensive road valuation as at 30 June 2025.

Responsible officer: CEO

Completion date: June 2025

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024****FINDINGS IDENTIFIED DURING THE AUDIT****2. Bank reconciliation variances****Finding**

There were a number of reconciling items in the 30 June 2024 bank reconciliation which were corrected by previous Shire employees through the passing of a journal entry. The 30 June 2024 bank reconciliation was reworked subsequently during 2025 to flow through entries that were made in 2023 to remove the reconciling items. Once this process was complete there was still a remaining unexplained, however immaterial, variance in the bank reconciliation of \$112, which arose during the 30 June 2024 year. It was noted that the bank reconciliation for 30 June 2025 had no further issues.

This finding was first raised in 2023 and resulted in a qualification for that year. There is a qualification on comparative balances to make reference to this for the current year.

Rating: Significant (2023: Significant)**Implication**

The unexplained variance in the bank reconciliation suggests that there may be discrepancies or omissions in the accounting records. This poses a risk that the general ledger may not accurately reflect the true financial position of the Shire.

Furthermore, the lack of reconciliation between the bank statement and the accounting records increases the risk of fraud or errors. Without an accurate reconciliation process, unauthorised transactions, misappropriations, or errors may go undetected, leading to further discrepancies in the financial statements.

Recommendation

We recommend, to mitigate the risk of future variances, the implementation of more rigours and timely bank reconciliation procedures. These should include regular, documented reviewed of the reconciliation process to ensure all discrepancies are promptly identified and resolved.

Management comment

Monthly bank reconciliations began in Jan 2024 when the new DCEO started. However, the accounts could not be balanced properly until the 22/23 closing balances were confirmed. Therefore, it was the audit delay which caused the minor variance above not a lack of procedures.

In May 2025, the Shire took steps to confirm the closing bank balances for 22/23 prior to audit completion. Once this was done, the Shire was able to confirm the balances for 23/24 and 24/25.

Responsible officer: CEO
Completion date: January 2024 and May 2025

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

3. General journal exceptions**Finding**

Our testing of a sample of 10 general journal entries identified for all instances there was no documentation retained to support the general journal entry. Additionally, there were 4 instances where the journals were not signed as evidence of independent review. We have additionally noted that there were a significant number of general journal entries that were posted directly to the bank account.

Findings in respect of general journals were first raised in 2023.

Rating: Significant (2023: Significant)

Implication

The absence of supporting documentation and independent review of general journals increases the risk of errors, omissions or fraudulent activities going undetected and therefore unresolved. There is a further risk of non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulation 1996.

Journal entries posted directly to the bank account also compound issues with reconciling the bank balance given this is not how receipts and payments should be processed through an accounting system.

Recommendation

We recommend that support is retained for all general journals and the general journals are signed as evidence of independent review. Management should additionally ensure that there are no journal entries posted directly to the bank account general ledger.

Management comment

Journals are now reviewed with all evidence attached to the journal.

The Shire will continue raising journals to the bank account ledger where appropriate and ensure proper evidence is kept.

Responsible officer: CEO
Completion date: December 2024

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

4. Information technology framework

Finding

Our testing and enquiries relating to IT and cyber security controls at the Shire identified the following;

There are no documented cyber security policies in place;

Whilst we understand the Shire's disaster recovery plan was in the process of being developed, the Shire did not have a formal disaster recovery plan in place at the time of our audit;

There is no risk register in place in relation to specific information technology risks; and

The agreement with the Shire's IT consultant was signed in 2015 with no updated agreement subsequently entered into.

This finding was first raised in 2023.

Rating: Significant (2023: Significant)

Implication

Without documented cyber security policies and procedures outlining the controls regarding cyber security, there is an increased risk of vulnerability to cyber-attacks such as malware or phishing attempts;

Risk of significant delays and business interruption in the event of unforeseen circumstances;

Risk identification in respect of the IT framework has not been considered; and

Increased risk of services provided by the IT consultant are outdated and do not meet the current needs of the Shire.

Recommendation

We recommend:

A documented cyber security policy and associated procedures / plans be developed and communicated to all staff;

A Disaster Recovery Plan be developed, documented and periodically tested to ensure that in the event of a disaster, appropriate action can be taken;

The Shire include IT related risks to their current risk register ensuring all current IT risks are considered and documented; and

A new updated agreement with the external IT consultant be developed and signed by both parties.

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

Management comment

There is an IT agreement in place. The Shire has spoken to an IT consultant about developing our policies, plans and registers. We have multiple large projects to complete in 2025/26 so this will occur once these are complete. The Shire will also do a review in 2026 with LGIS regarding IT and cyber improvements.

Responsible officer: CEO
Completion date: December 2026

SHIRE OF YALGOO**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024****FINDINGS IDENTIFIED DURING THE AUDIT****5. Non-Compliance with Local Government Act and Regulations****Finding**

We noted the following instances of potential non-compliance with the Local Government Regulations 1996:

Financial Management System Review ("FMSR") was due to be completed in March 2023 in accordance with the requirements of the Local Government (Financial Management) Regulations 1996, however the review was completed in August 2024, and as at the date of this report, the final FMSR reports have not been issued (this matter was first raised in 2023);

Audit Regulation 17 Risk Review was due to be completed in March 2023 in accordance with the requirements of the Regulation 17 of the Local Government (Audit) Regulations 1996, however the review was completed in August 2024, and as at the date of this report, the final Regulation 17 review reports have not been issued (this matter was first raised in 2023); ; and

The mid-year budget review was not completed between 1 January and 28 February and was not lodged with the department within 14 days of Council adoption in accordance with Regulation 33(4) of the Local Government (Financial Management) Regulations 1996.

Rating: Significant (2023: Significant)**Implication**

Non-compliance with the above-mentioned Local Government Regulations.

Recommendation

We recommend:

The FMSR review is conducted every three years in order to satisfy the requirements of Regulation 5(2) of the Local Government (Financial Management) Regulations 1996;

The Audit Regulation 17 Risk Review is conducted every three years in order to satisfy the requirements of Regulation 17.1 of the Local Government (Audit) Regulations 1996; and

The Shire completes and lodges their mid-year budget review with the Department within the required timeframe to satisfy the requirements of Regulation 33(4) of the Local Government (Financial Management) Regulations 1996.

Management comment

The Shire has completed the reviews. The Shire will ensure budget reviews are completed on time.

Responsible officer: CEO
Completion date: August 2024

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

6. Out-of-date council policy manual

Finding

Whilst completing our testing, we identified instances where the Manual does not reflect current practices and is potentially out of date:

Investment Policy not located in the Manual although as stated within Council minutes dated 28 January 2022, the Council resolved to adopt the policy and the Manual would be updated accordingly;

There is no documented Related Party Policy;

Policy 7.2, Purchasing and Tenders does not allow for WALGA eQuotes and the tender limit reference is \$100,000 rather than the current limit of \$250,000;

the Risk Management Policy Manual and the Risk Management Plan refer to the wrong standard (AS/ISO 31000 2019 instead of AS/ISO 31000 2018); and

Numerous policies in the Manual are either out of date or have further work required.

This finding was first raised in 2019.

Rating: Significant (2023: Significant)

Implication

Without approved and up to date policies and procedures, staff may be unaware of Council and management's expectations regarding how they conduct themselves and perform various key transactions and activities. This can make the Shire more susceptible to errors, fraud and/or non-compliance.

Recommendation

We recommend that each policy contained in the Manual is reviewed and updated to reflect the Shire's current practices. All new policies should be added to the Manual.

In addition, we recommend that the Shire develop and implement a Related Party Policy and adopt the Model Code of Conduct for Elected Members.

Management comment

The Policy Manual has been reviewed, and a Related Party Policy will be developed as soon as time permits.

Responsible officer:

CEO

Completion date:

February 2025 and December 2026

SHIRE OF YALGOO
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024
FINDINGS IDENTIFIED DURING THE AUDIT

7. Key Balance sheet reconciliations

Finding

During our review of the month end reconciliation procedures, we noted that the following key balance sheet accounts were being reconciled to the general ledger on a monthly basis, however there was no evidence of independent review occurring;

Trust account;
Superannuation payable;
Sundry Debtors;
Rates Debtors; and
Rates Valuations.

Furthermore, it was identified that the following key balance sheet accounts were not being reconciled on a monthly basis;

Sundry Creditors;
Investments; and
Fixed Assets.

Findings in respect of key balance sheet reconciliations were first raised in 2019.

Rating: Significant (2023: Significant)

Implication

By key balance sheet accounts not being reconciled to the general ledger on a regular basis there is an increased risk that errors, imbalances or fraud will not be detected on a timely basis, which in turn could lead to misstatements in the Shire's financial reporting. This also represents non-compliance with Regulation 5(1) of the Local Government (Financial Management) Regulations 1996.

Recommendation

We recommend that key balance sheet accounts are regularly reconciled to the general ledger on a timely basis. This will ensure that any issues are detected on a timely basis. It is important that the balance sheet reconciliations are independently reviewed and signed off as evidence of independent review.

Management comment

Monthly reconciliations were strengthened in 2025 and now reviewed and signed by the DCEO and CEO.

Responsible officer: CEO
Completion date: January 2024 and May 2025

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

8. Credit card procedures

Finding

From our review of 100% of the credit card statements during the financial year, it was noted that none were independently reviewed by the Shire President.

This finding was first raised in 2019.

Rating: Significant (2023: Significant)

Implication

Risk that error or fraud may not been detected on a timely basis.

Recommendation

We recommend that the credit card statements of the CEO are reviewed and signed as evidence of this independent review by the Shire President.

Management comment

A review is done by the preparer of the credit card batch and the reviewer. The President will review the credit card statement.

Responsible officer:

CEO

Completion date:

May 2025 and December 2025

SHIRE OF YALGOO

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE AUDIT

9. Masterfile accuracy and validity**Finding**

Changes made to the supplier, employee, debtors and fixed assets masterfiles were not independently reviewed and authorised. While we understand EFTSure has since been implemented, no evidence of independent review of the masterfile changes was provided. This increased the risk of unauthorised changes to key information, although our audit sampling did not identify any.

This finding was first raised in 2019.

Rating: Significant (2023: Significant)

Implication

There is an increased risk that:

Required changes to the masterfiles are untimely;

Erroneous changes made to masterfiles have a low chance of being detected in a timely manner; and

Suspicious/fraudulent changes made to masterfiles have a low chance of being detected in a timely manner.

Recommendation

We recommend an independent review of all changes made to masterfiles be conducted periodically. This review should involve:

A download of all changes made to each masterfile;

A representative sample be tested and traced to originating/supporting documentation to assure validity and timeliness; and

A review of any suspicious masterfile changes (e.g. changes to bank details, unusual variations to pay-rates and amendments to existing supplier bank account details) be performed.

Management comment

We have improved the new creditor processes with further work to do. Currently, new creditors need to be entered into the system and signed off. A senior staff member must review and sign off. The next step which will begin soon is a review of the audit trail for new suppliers. This will be completed as part of the 25/26 year.

Responsible officer: CEO

Completion date: December 2025