



Our Ref: 8391

Mr Peter Stubbs
Chief Executive Officer
Shire of Williams
PO Box 96
WILLIAMS WA 6391

7th Floor, Albert Facey House
469 Wellington Street, Perth

Mail to: Perth BC
PO Box 8489
PERTH WA 6849

Tel: 08 6557 7500
Email: info@audit.wa.gov.au

Dear Mr Stubbs

**ANNUAL FINANCIAL REPORT
INTERIM AUDIT RESULTS FOR THE YEAR ENDING 30 JUNE 2024**

We have completed the interim audit for the year ending 30 June 2024. We performed this phase of the audit in accordance with our audit plan. The focus of our interim audit was to primarily evaluate your financial control environment, and to obtain an understanding of the key business processes, risks and internal controls relevant to our audit of the annual financial report.

Management control issues

We would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the course of the interim audit. These matters have been discussed with management and their comments have been included on the attachment. The matters reported are limited to those deficiencies that were identified during the interim audit that we have concluded are of sufficient importance to merit being reported to management.

This letter has been provided for the purposes of your local government and may not be suitable for other purposes.

We have forwarded a copy of this letter to the President. A copy will also be forwarded to the Minister for Local Government when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Feel free to contact me on 6557 7747 if you would like to discuss these matters further.

Yours faithfully

Tamara McCarthy
Assistant Director
Financial Audit
8 July 2024

Attach



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Email: peter.stubbs@williams.wa.gov.au

Dear Mr Stubbs

ARRANGEMENTS FOR THE AUDIT OF THE ANNUAL FINANCIAL REPORT OF THE SHIRE OF WILLIAMS

I am writing to you to confirm arrangements for the annual audit of the Shire's annual financial report. This is an important part of the audit process because it helps to ensure that you are fully informed regarding our respective responsibilities under the engagement.

The responsibilities apply to audits for the current financial year, as well as to the audits for subsequent financial years, unless circumstances change, and are detailed in the Attachment.

It would be appreciated if you and the President could confirm your acknowledgement of the responsibilities by signing and returning the Attachment.

Feel free to contact me on 6557 7747 if you would like to discuss this or any other matter in relation to the audit.

Yours faithfully

Tamara McCarthy
Assistant Director
Financial Audit
8 July 2024

Attach

Shire of Williams**TERMS OF AUDIT ENGAGEMENT**

This document sets out the responsibilities for the audit of the annual financial report and any certifications of the Shire of Williams.

Objective and Scope of the Audit

Under the *Local Government Act 1995*, the Auditor General is to audit the accounts and annual financial report of the Shire of Williams. The annual financial report comprises the Statement of Financial Position as at 30 June, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Chief Executive Officer.

The objective of the audit is to obtain reasonable assurance about whether the annual financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the Auditor General's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Responsibilities of the Auditor General and the Office of the Auditor General (OAG)

The audit will be conducted in the manner determined by the Auditor General in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements. As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for the opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Shire's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.

ATTACHMENT

The form and content of the auditor's report may need to be amended in the light of our audit findings and future amendments (if any) to the Local Government (Audit) Regulations 1996.

The auditor's report will be sent to the CEO, and the Minister for Local Government in accordance with the *Local Government Act 1995*.

Management Letter

Deficiencies in internal controls and other relevant matters identified during the audit will be included in a management letter sent to the CEO and the Minister for Local Government.

Audit Fee

The fee for the audit will be determined by the Auditor General in accordance with the *Local Government Act 1995*. We will provide you with an indicative audit fee in the first quarter of the calendar year. This indicative fee is an estimate based on full cost recovery and a number of assumptions. The fee may be increased if there are additional costs due to matters such as a poor-quality financial report and supporting working papers, deficiencies in internal controls and delays in receiving information from the Shire's staff.

Publication of the Audited Annual Financial Report

The Shire is required by the *Local Government Act 1995* to publish its annual report, including the audited annual financial report and the Auditor General's auditor's report, on its official website. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by the Shire to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the Shire's web site is beyond the scope of our audit of the financial report. Responsibility for the electronic presentation of the financial report on the Shire's web site is that of the Management.


Acknowledgement of Responsibilities for the Audit

We acknowledge the responsibilities for the audit for the year ended 30 June 2024 and subsequent years as set out in this letter for the audit of the annual financial report, including our respective responsibilities as the President and the CEO.

(Signed) _____ 

**Name: Jarrad Logie
President**

Date 17/07/2024.

(Signed) _____ 

**Name: Peter Stubbs
Chief Executive Officer**

Date 17/07/2024.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed.

In carrying out the audit, the OAG will also adhere to the following principles and reporting obligations:

- the highest standards of ethical and personal behaviour are demonstrated
- the audit is approached in a fair and constructive way
- the audit is conducted and reported in an impartial manner
- matters of significance arising from the audit are collated and reported at a sector level to the Parliament.

Responsibilities of the Council and the Chief Executive Officer

We acknowledge that we are responsible for:

- (a) keeping proper accounts and records
- (b) the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995* (the Act), Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards
- (c) such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error
- (d) providing you with:
 - (i) access to all information that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - (ii) additional information that you may request from us for the purpose of the audit; according to the timelines for provision of information as agreed with the auditors; and
 - (iii) unrestricted access to staff and councillors of the Shire from whom you determine it necessary to obtain audit evidence.
- (e) the preparation of other information (i.e. financial or non-financial information (other than the financial report and the auditor's report thereon) included in the Shire's annual report) that is consistent with the financial report, and which does not contain any material misstatements.

As part of the audit process, we will also request, from the Chief Executive Officer and the finance manager, written confirmation concerning representations made to us in connection with the audit.

For certification audits, your entity is responsible for preparing the required financial or statistical information in accordance with the requirements of the funding provider and/or specific legislation.

Reporting

Annual Financial Report

The Auditor General's auditor's report will be prepared in accordance with the *Local Government Act 1995*, Local Government (Audit) Regulations 1996 and Australian Auditing Standards and include the audit opinion on the annual financial report which also includes.

- details of whether information and explanations were obtained by the auditor
- a report on the conduct of the audit

SHIRE OF WILLIAMS**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****1. Breach of Regulation 33 & 33(A) of the Local Government (Financial Management) Regulations 1996**

In accordance with the requirements under Regulation 33 & 33(A) of the Local Government (Financial Management) Regulation 1996 for the 2023/2024 financial year, a copy of the annual budget must be submitted to the Department within 30 days of its adoption and a copy of the budget review must be submitted to the Department within 14 days after a council has made a determination.

Our audit testing indicated that the budget was submitted 50 days after adoption. The Shire was unable to provide supporting documentation to support the budget review being submitted to the Department within 14 days of Council adoption, this review was adopted by Council on 20 March 2024. We understand this has since been lodged on the 5th of June 2024.

The Shire did not forward the budget to the Department within the required time frame, further it is unclear if the Shire forwarded the budget review within the require timeframe.

Rating: Significant**Implication**

By not submitting within the required timeframes, the Shire has breached Statutory Requirements.

Recommendation

We recommend that the Shire submits the 2024 annual budget review if this has not since been completed. We recommend that processes are put in place by the Shire to ensure the annual budget and budget reviews to the Department within the timelines per the Regulations.

Please note that the timeline to submit the annual budget to the Department for the 2024/2025 year and future years is now 14 days after adoption by the Local Government.

Management comment

The CEO thought he had submitted the Budget Review by the end of March and is seeking to verify that with the Department. It was submitted 5th June 2024 to be sure and copy of evidence of that was provided to the auditor on the 5 June 2024.

Responsible person: Peter Stubbs. CEO
Completion date: 28 June 2024

SHIRE OF WILLIAMS

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Cyber Security Assessment

During the audit we noted the following:

- There are no cyber security policies & procedures in place and there are no documented policies regarding access to IT applications and infrastructure;
- There is no cyber security response plan in place;
- There is no IT risk register in place therefore management have not formally evaluated the risks associated with the overall security policy; and
- No application control or application hardening in place.

Rating: Moderate

Implications

- The absence of clear IT policies exposes organisations to security risks, data breaches and inefficiencies;
- Without an appropriate plan in place, the Shire may not be sufficiently prepared to act in the event of a cyber security threat or staff may not be aware of processes that should be followed. This may lead to the Shire's system being compromised, impacts on service delivery, unauthorised access to sensitive information, and potentially financial loss to the Shire;
- Lack of adequate risk assessment identification, evaluation and mitigating internal control processes in relation to information technology and cyber security risks; and
- In the absence of appropriate sensitive data encryption, there is an increased risk that unprotected sensitive data could lead to identity theft, fraud or theft of financial resources from employees and / or third parties in the event of a data breach.

Recommendation

We recommend:

- The Shire develop cyber security policies and procedures, including policies and procedures relating to access to IT applications and infrastructure.;
- A cyber security plan should be developed, including (but not limited to) covering the following key areas:
 - Risk assessment of the Shire's IT security control environment;
 - Identification of safeguards and protections in place; and
 - Action plan in the event of a cyber security event, including outlining the roles and responsibilities of staff during such an event.
- We recommend a comprehensive risk identification, evaluation and mitigation process be undertaken to ensure all potential risks associated with Information technology, specifically cyber security are considered and documented. Subsequently we recommend the risk register be updated to include specific information technology and cyber security risks such as ransomware breaches, data breaches due to phishing emails, general data breaches, reputational damage and related media which may be required in the event of a cyber security breach etc.

Management comment

The Shire of Williams IT Strategic Plan will be reviewed in 2024-25. The Shire does not agree that it has not assessed IT risk. Risk is assessed on an ongoing basis, which is why the Shire is budgeting for additional and best practice security measures in 2024-25.

The Shires ICT Managed Contract with Wallis Computing Solutions provides a range of cyber security measures including;

- Monthly training for staff to reduce human error leading to cyber risk