

SHIRE OF PLANTAGENET

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Payroll software employee access levels & permissions	No	✓			
2. Creditor Masterfile audit trail review	No		✓		
3. GST treatment of purchases & sales	No		✓		
4. Review of monthly reconciliations of debtors & creditors	No		✓		✓
5. Payroll deductions	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.

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

SHIRE OF PLANTAGENET

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

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1. Payroll software employee access levels and permissions**Finding**

During discussion and documentation of payroll systems processes and controls it was brought to our attention that there had been a recent incident in which an employee's login details had been compromised by an unknown third party. The third party then was able to log in to the Shire's payroll application (Altus) using the compromised login details for that employee and change the bank details for that employee. The breach in access was only limited to the information available to the compromised employee.

This attempted change of bank account details was picked up due to a notification of the change going to the employee's phone. The payroll officer was then able to use the payroll software to regain control of the employee's application and block the third party's access through changing the login details. Employee bank details were then restored to the employee's account and confirmed with the employee.

Rating: Significant

Implication

Although the unauthorised user could only alter the details of the specific employee whose information was accessed, there is a risk that the employee may not have been notified of the bank account changes, resulting in payments being made to a third party.

Furthermore, if a user with broader access permissions has their account compromised, it could enable unauthorised users to carry out more severe fraudulent activities.

Recommendation

The Shire should implement multi factor authentication for payroll system access and changes to key information such as bank account and superannuation details.

Management comment

Multi-factor authentication has now been enabled for the Definitiv website.

Responsible person: Executive Manager - Corporate & Community

Completion date: 31 May 2025

SHIRE OF PLANTAGENET

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Creditor Masterfile audit trail review

Finding

During audit procedures we noted that since the change from paper-based filing to electronically storing information relating to payment of creditors, the creditor Masterfile audit trail report is being saved but these documents have no evidence of them being reviewed. No instances of unauthorised changes were detected in our testing.

Rating: Moderate

Implication

Risk exists that unauthorised changes may be made resulting in funds being incorrectly transferred to fraudulent recipients or errors could occur in changes made to the Supplier/Creditor Masterfile that are not reviewed.

Recommendation

We recommend that this report is generated at the time of processing creditor batch payments. The report should then be reviewed for any unauthorised amendments by an authorised officer separate to the creditor processing functions, signed as reviewed and filed with the batch payment reports.

Management comment

Agreed. The audit trails have now been incorporated into the payment process and are checked and signed by the Manager of Finance, or in their absence, the Executive Manager – Corporate & Community Services.

Responsible person: Manager of Finance

Completion date: 31 May 2025

SHIRE OF PLANTAGENET**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE INTERIM AUDIT****3. GST treatment of purchases & sales****Finding**

During our testing of payments and receipts we noted some GST errors in payments and receipts as noted below.

- GST claimed on a purchase for software from a Canadian vendor which be an overseas entity has no GST charged. The total invoice amount was \$9,165.44 and the GST claimed by the Shire was \$833.22.
- GST remitted on sales of GST Free items from the Shire pool kiosk, this was detected on several transactions in the general ledger.

Rating: Moderate

Implication

In the absence of a comprehensive review of all transactions and the chart of accounts for appropriate default GST codes, there is a risk of incorrect GST treatment, which may result in either an underpayment or overpayment to the Australian Taxation Office. Such discrepancies would constitute non-compliance with the Shire's statutory obligations in relation to GST.

Recommendation

We recommend that all default GST codes associated with general ledger accounts be reviewed to ensure the appropriate application of GST treatment. In addition, in addition, transactions known to be GST-free or input taxed should be specifically examined to confirm that their GST treatment has been accurately recorded.

Management comment

Agreed. A review will be undertaken in the second half of 2025.

Responsible person: Manager of Finance
Completion date: 31 December 2025

SHIRE OF PLANTAGENET

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

4. Review of monthly reconciliations of debtors & creditors

Finding

During our audit testing there was three instances out of eight months tested, where debtors and creditors reconciliations were being completed but not evidenced as reviewed by an appropriately authorised person.

We note that this was reported as a finding in the previous year's audit management letter which was issued in September 2024 and the months noted were July – September 2024. After issuing of the management letter this process was corrected for all future reconciliations.

Rating: Moderate

Implication

Performing monthly reconciliations and reviews in a timely manner strengthens internal controls and significantly reduces the likelihood of errors going undetected for extended periods.

Recommendation

All month end reconciliations should be completed in a timely manner and duly reviewed.

Management comment

This process has been in place since the previous year's audit management letter was issued in September 2024 and all reconciliations are reviewed and signed each month.

Responsible person: Manager of Finance

Completion date: 30 September 2024

SHIRE OF PLANTAGENET

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

5. Payroll deductions

Finding

During our audit walkthrough for testing of payroll controls it was found that an employee's payroll deduction for salary sacrifice to superannuation was not being calculated correctly. The deduction authority signed by the employee was for 5% of the employee's gross wages, but was set at the fixed amount of \$112.21, which is less than 5% of the gross wages. This employee is also accessing the Council 5% Superannuation Matching Scheme, with the Council's contributions being the correct 5%. In effect, the employee has not been meeting their obligations under the Scheme, however the employee is not at fault for this.

It appears that this error may have occurred during the implementation of the Altus Definitiv payroll system, however without access to previous payroll reports we were unable to confirm this.

Rating: Moderate

Implication

Incorrect setup of employee deductions could result in the under or over payment of amounts being deducted from employee pays, which could result in either of the two parties, employer and employee failing to meet their obligations under the deduction authority.

Recommendation

Regular review of employee deductions should be undertaken to ensure that they are being calculated correctly, and also that they are still applicable.

Management comment

This deduction was set up some years ago and the employee hadn't checked payslips to make sure it was correct. Regular audits of the payroll software against staff requests will be performed.

Responsible person: Payroll Officer
Completion date: 31 December 2025