

SHIRE OF PLANTAGENET

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Non-compliance laws & Regs – Reg 17 review not completed	No		✓		
2. Employee provisions review	No		✓		
3. Excessive annual leave balances	No			✓	
4. Possibly contaminated sites review	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

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1. Non-compliance laws & regs – Reg 17 review not completed

Finding

We noted that the Shire has not performed a review of the appropriateness and effectiveness of systems and procedures in relation to risk management, internal controls and legislative compliance in accordance with Regulation 17 of the Local Government (Audit) Regulations 1996 in the past 3 financial years. The last review was carried out in May 2022.

Rating: Moderate

Implication

Failure to conduct the review within the prescribed timeframe results in non-compliance with Regulation 17 of the *Local Government (Audit) Regulations 1996*.

Recommendation

Management should ensure that the required review is completed in accordance with the prescribed regulatory timeframe.

Management comment

Noted and agreed. Will be completed within the next 6 months.

Responsible person: Executive Manager – Corporate & Community Services

Completion date: 31 May 2026

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2. Employee provisions

Finding:

During testing of employee annual and long service leave entitlement calculations, the following errors were identified:

Long Service Leave

- one instance where an employee was not recorded on the provision listing in the previous year but had an opening balance of leave for the 2025 financial year. The amount of \$16,802.69 was not material to the financial statements.

Annual Leave

One instance where a worksheet formula referenced an incorrect pay rate, resulting in an inaccurate entitlement calculation. This amount of \$155.02 was also not material to the financial statements.

A subsequent review of the relevant Excel formulas confirmed that these were isolated errors.

Rating: Moderate

Implication

Insufficient review of worksheets increases the risk of errors in leave entitlement calculations, which may lead to material misstatements in general ledger balances and financial statement disclosures.

Recommendation

All worksheets used to prepare financial disclosures should be subject to regular review by the preparer, with an additional independent review to ensure accuracy and prevent formula or referencing errors.

Management comment

The provision calculation worksheet will be updated monthly as part of the month end processes for payroll. The intention is to stay on top of any movements during the financial year to reduce the risk of errors or misstatements of remaining leave balances at year end.

Responsible person: Kylie Caley, Manager of Finance
Jo Taylor, Finance Officer – Payroll.

Completion date: 30 June 2026

SHIRE OF PLANTAGENET

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3. Excessive annual leave balances

Finding:

We identified one instance where an employee had accrued annual leave in excess of 400 hours (ten weeks), and two instances where employees had accrued more than 300 hours (eight weeks).

Rating: Minor

Implication

Excessive annual leave balances increase the Shire's liability and may indicate an over-reliance on key personnel. Regular leave is important for staff wellbeing, succession planning, and ensuring adequate coverage of duties. Additionally, employees who do not take leave may have greater opportunity to conceal fraudulent activity.

Recommendation

The Shire should continue to actively monitor and manage excessive annual leave balances to reduce liability, mitigate business continuity risks, and minimise the potential for fraud.

Management comment

Noted and the Shire is aware that one of these employees is saving annual leave to be used during a planned facility shut down (1 – 2 years) which will occur in the coming five (5) years. Two of these employees had significant annual leave used in the second half of 2025.

Responsible person: Executive Manager – Corporate & Community Services
Completion date: 30 June 2026

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4. Possibly contaminated sites review**Finding**

Audit procedures performed on contingent liabilities found that management had conducted an investigation to determine the presence and scope of contamination and assess if a rehabilitation provision is required, for all the sites classified as 'possibly contaminated – investigation required'. However costings for the rehabilitation of post closure management of the site have not been obtained or provided for.

Rating: Significant**Implication**

A lack of formal assessment of possibly contaminated sites may lead to legal and regulatory non-compliance and future reputational damage. In addition, a lack of formal assessment may lead to a material misstatement in the financial statements by the omission of a required rehabilitation provision under the requirements of AASB 137 Provision, Contingent Liabilities and Contingent Assets ("AASB 137")

Recommendation

Management should perform an appropriate assessment of possibly contaminated sites to ensure appropriate action is taken to comply with regulatory requirements and AASB 137.

Management comment

In 2021, it was determined that the O'Neill Road Waste Management Facility has an operational life of 29 years, therefore approximately the year 2050. The closure of the landfill component will be staged to spread capital costs associated with landfill capping, and the rehabilitation of each cell will take place within 6 months of disposal in that cell being completed. The Shire is currently out to tender for the construction of new infrastructure including landfill cells, leachate pond, sediment pond and associated ancillary works at the site and once this tender is finalised an anticipated cost of closure and post closure requirements can be extrapolated for the 25 years to 2050.

Responsible person: Executive Manager – Corporate & Community Services

Completion date: 30 June 2026