

SHIRE OF MERREDIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Finding Identified in Previous Year			
1. Journals not independently approved	✓		

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.
- 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 MERREDIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE AUDIT

1. Journals Not independently Approved

Update 2020

This finding has not been resolved.

Finding 2019

We noted that journal entries processed in the accounting system are processed and posted by the Executive Manager Corporates Services on a monthly basis in preparation of the monthly financial reports. There is no evidence that these are formally reviewed by a second officer.

Rating: Significant

Implication

If journals are not independently reviewed and approved, there is a risk that erroneous or fraudulent transactions may pass undetected. Accounting journals can represent significant adjustments to previously approved accounting transactions and should therefore be appropriately reviewed and approved.

Recommendation

We recommend that a person more senior than the preparer such as the Chief Executive Officer, formally authorises the journal entries and evidences this by way of signature.

Management Comment

The Temporary Chief Executive Officer has retrospectively reviewed all 2019-20 journals before signing the Statement by Chief Executive Officer in the Financial Report for the year ended 30 June 2020.

The Shire now has a process where the Executive Manager Corporate Services (EMCS) reviews all general journals processed by staff and the CEO reviews general journals processed by the EMCS.

Responsible Person: CEO & EMCS.

Completion Date: June 2021.

SHIRE OF MERREDIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2020

FINDINGS IDENTIFIED DURING THE AUDIT

Draft for Management Comment