

DIRECTORS:

ROBERT CAMPBELL RCA, CA
VIRAL PATEL RCA, CA
ALASTAIR ABBOTT RCA, CA
CHASSEY DAVIDS RCA, CA

**AUSTRALIAN
AUDIT** 

ASSOCIATE DIRECTOR:

SANTO CASILLI FCPA PFIIA

31 July 2025

Christie Smith
Chief Executive Officer
Shire of Kent
24-26 Richmond Street
Nyabing WA 6341

Dear Christie

Please find attached our Final Financial Management Review report for the Shire of Kent.

We are happy to report that there were no high-risk matters that required reporting. Management comments relating to our findings and recommendations have been included in this final report.

We would like to thank your staff for the positive cooperation provided to us during the review process and for promptly providing information requested during the conduct of this review.

Yours sincerely



Santo Casilli FCPA PFIIA
Associate Director, Internal Audit, Probity and Risk

Australian Audit

Shire of Kent

Regulation 5 (2) (c) – Financial Management Review

31 July 2025

Final Review Report

(Review in Confidence)

Australian Audit

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Introduction

Australian Audit was engaged to undertake a financial management review of the Shire of Kent financial management systems and procedures as required to be undertaken at least once every 3 years as per the Regulation (5)(2)(c) of the *Local Government (Financial Management) Regulations 1996*.

We conducted the review in accordance with Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* which provides a limited assurance regarding the appropriateness and effectiveness of the Shire's management controls over its financial management systems and processes.

This final report outlines the work undertaken as part of our review and includes our findings and proposed recommendations resulting from our review including management comments.

The Shire of Kent uses SynergySoft as its accounting system.

The last Financial Management Review at the Shire was undertaken in 2022.

CEO's Responsibility for the Review Report

As per Regulation 5(2)(c) of the *Local Government (Financial Management) Regulations 1996*, the Chief Executive Officer (CEO) is required to undertake a financial management review, at least once every 3 financial years.

Management comments have been received and have been included in the body of this final report.

Responsibility for the Review

Our responsibility was to conduct the Financial Management Review in accordance with the Australian Auditing Standard *ASAE 3000 – Assurance Engagement other than Audits or Reviews of Historical Financial Information* and to report to the CEO the review findings and proposed recommendations for management control and process improvement.

We wish to confirm that we are fully independent of the Shire of Kent and of its operations regarding this review.

Review Limitations

The matters raised in this review report are only those which came to our attention during the course of performing the financial management review and may not necessarily be a comprehensive statement of all the possible control weaknesses and / or process improvement options that may be made in relation to the Shire of Kent financial management systems and procedures.

As part of our review, we have not assessed and examined every financial process and procedure and as such have limited our assessment and evaluations only to those areas where we considered may be of higher risk to the Shire of Kent regarding its Financial Management process. As such we did not examine every activity and procedure that may exist at the Shire and therefore only provide limited assurance to the Shire.

Our review, which was conducted in accordance with Australian Auditing Standard ASAE 3000 – *Assurance Engagement other than Audits or Reviews of Historical Financial Information* was not an audit, and as per ASAE 3000 we can only provide assurance based solely on our assessment of the information which was provided to us by the Shire of Kent during the conduct of this review.

This review report is to be used solely for the purpose of reporting to satisfy the requirements of *Regulation 5(2)(c) of the Local Government (Financial Management) Regulations 1996* and should not be used for any other purpose or be distributed, other than to the Shire of Kent.

Scope and Methodology

The review undertook the following approach:

- Information was sought from the Shire of Kent and was assessed.
- Discussions were held with the Shire of Kent management and relevant staff to understand the financial processes and the management controls currently in place via a site visit conducted on 18 June 2025.
- We assessed the adequacy of key management controls currently in place over key financial management systems and procedures in line with the following work program provided to the Shire of Kent and based on information that was provided to us during the review period and during our site visit.

Work Program

Our review incorporated the following key financial management areas as required under Regulation 5(1) of the *Local Government (Financial Management) Regulations 1996*:

- Procurement (formal quotations and tender process)
- Contract Management
- Accounts Payable
- Cash Collection and Handling
- Payroll
- General Ledger Application Controls (journal posting, balance sheet reconciliations)
- Rates, Revenue and Debt Management
- Investment Management
- Asset Management (excluding infrastructure assets)
- Budget process

No other financial management systems and procedures were subject to review.

Review Conclusion

Based on our review (which was not an audit) of the management controls and processes that exist at the Shire of Kent, regarding the above key financial management system areas, nothing came to our attention that would indicate any **high-risk** management control matters that would require immediate attention by the Shire.

Based on the matters raised in the body of this report under Findings and Recommendations, we can conclude that the financial management systems in place within the Shire of Kent are satisfactory, however some management controls can be further improved and several recommendations have been included in this review report for management consideration.

The matters raised in this review report were assessed as Low risk to the Shire.

For those identified matters we have recommended that the Shire should consider exploring the recommended process improvement options which have been incorporated within the body of this report.

Each finding has a recommended action except for those issues reported as “Observations”.

We believe that the Shire’s implementation of the suggested and recommended process improvements will strengthen the existing financial management controls that are currently in place and will provide greater overall governance within the Shire’s financial management operations.

Findings and Recommendations

Low Risk Issues

1. Contract Management: Policies and Procedures

Finding

The Shire does not have any formal contract management policy, procedures/guidelines for managing its existing service contracts. In the absence of a formal policy and procedures the Shire staff responsible for managing service contracts may not have a clear understanding of the contractual requirements and required approval processes resulting in possible inconsistent and unacceptable practices.

Contract management policy and procedures should incorporate the following step-by-step processes for:

- Contract formation requirements (when a formal service contract should be formulated).
- Contractor performance management process (how each contract should be managed during the contract period).
- Contract variations process and approvals (how contract variations should be negotiated and the various approval levels required).
- Contract renewal/extension process and approvals (monitoring of contract expirations and the process of contract renewal approval)
- Post-contract performance assessments (the need to conduct supplier performance appraisals once a contract has expired).

Recommendation

We recommend that the Shire establish formal contract management policy and procedures over the contract management process.

Management Comments

The Shire of Kent will formalise a contract management process to ensure adequate levels of oversight and management over contracts are performed.

2. Contract Management: Service Contracts and Contracts Register

Finding

The Shire does not have a contract register in place to record its contractual agreements. As such the Shire does not have effective visibility over the Shire's active contracts to manage contract expiry dates, actioning options to extend if such options exist, actioning renewal timeframes and/or to check that services are being invoiced in line with service contract agreed and awarded \$ values.

Based on our analysis of Shire payments made in the period of 1/1/24 to 31/12/24, we noted that the following suppliers are providing ongoing and continuous type services to the Shire and we believe the Shire did not have formal service contracts in place with these suppliers:

- WA Contract Ranger Services
- Katanning Cleaning Pty Ltd
- Exurban Rural & Regional Planning
- Field solutions Group
- Great Southern Waste Disposal
- Initial Hygiene

We believe that service contracts should be established between the Shire and a supplier where such services are on an ongoing basis and/or are of large \$ value requiring ongoing management.

In the absence of any formal service contracts, it is not clear as to who is responsible for what and how such responsibility is to be initiated for monitoring of works for such services.

Recommendation

We recommend that the Shire review its existing services, including the above mentioned services, for which a service contract should be in place and ensure that formal service contracts are developed, and the full details of the service contracts be included in a formal contracts register.

The Shire should develop a centralised contract register capturing key contract data to be used when managing its existing service contracts.

Management Comments

As part of the development of a contract management process, a contract register will be formulated. It is also noted a contract register will also need to be developed as part of imminent changes to the *Local Government Act 1995*.

In relation to the individual contracts listed, the Shire of Kent will work towards more formalised arrangements with high-value suppliers going forward.

3. Council Rates: Exempt Properties

Finding

The Shire does not have in place a process by which all of its exempt rateable properties (charitable and/or religious purpose use) are subject to regular verification to ensure that current exempt properties such as religious and charitable type exempted properties continue to meet the exemption definition.

Recommendation

We recommend that the Shire should consider implementing a formal verification process in which all exempt property owners are required to confirm their exemption status at least every 2 years.

Management Comments

The Shire of Kent will implement a process whereby a formal verification process will occur of its exempt rateable properties.

4. Asset Management: Stocktakes

Finding

We noted that the Shire does not at present undertake a stocktake of all its major portable plant and equipment (depreciable equipment over \$5,000) to ensure that the plant and equipment still exists and/or that it is not impaired. Where the plant and equipment showing on the asset register no longer exists or is impaired then the asset register should be amended.

Further, the Shire's Asset Policy Manual does not adequately make provision for annual or routine stocktakes of its plant and equipment.

Recommendation

We recommend that the Shire consider updating its Policy Manual to include the need to undertake at least annual stocktakes or stocktakes undertaken on a rolling basis say over a three year period of all its portable plant and equipment assets.

Management Comments

The Shire of Kent will undertake a stocktake on all major portable plant and equipment during its insurance renewal process going forward to ensure asset lists as well as insurance registers match and are up to date. It is up to the Council to decide whether to amend the Shire's Significant Accounting Policy and a report will be prepared in due course.

5. System Access: Staff Access Levels

Finding

The Shire provided a system staff access report generated by synergy showing the level of access (that is, read only or edit access) held by each staff for the Invoicing, Payroll, Rates, Accounts Payable and General Ledger systems. Unfortunately, Synergy is unable to provide a lower level of staff access and as such we

were unable to determine whether staff access levels were appropriate in line with their roles and responsibilities. As such some staff may have full access to these systems for which such access level is not required or is not desirable from a segregation of duties control point of view and may have been provided edit access (full access) to functions that are not in line with them performing their roles & responsibilities.

The Synergy system access reports provided to us for the Creditors, Rates, Payroll, Accounts Payable and General Ledger showed a high number of staff having edit access to these systems.

We understand that in smaller Shire's with limited number of staff, staff may be given edit access in order to fill in when other staff are absent.

Recommendation

We recommended that Shire management regularly review the level of access that has been provided to staff to ensure that such access, especially edit access, is only provided to those that require such level of access to fulfill their main roles and responsibilities. All other access to staff not requiring such access should either be removed, changed from edit to view only access or maintained where Shire management consider the level of access should remain.

Management Comments

The Shire of Kent will review all access levels to ensure they are appropriate for the duties each officer undertakes within the Synergy system.

6. Detection Control: Payment Run Change Reports

Finding

Synergy is able to provide a report that lists all changes made within a specific payment run specifically relating to payroll, accounts payable and accounts receivable processing. The report lists all changes made in the batch run and key changes such as staff bank account details, hourly pay rates (Payroll), supplier bank account changes (accounts payable) and new invoices created, and invoices deleted (accounts receivable).

Should these change reports be run prior to final processing of batch runs and reviewed and signed off by a senior staff member it would be beneficial to the Shire in confirming that the changes are valid and could prevent undetected errors and/or possible fraudulent actions from occurring. As such these reports act as a detection control mechanism.

We understand that the Shire staff responsible for processing payroll, accounts payable and accounts receivable currently do not run this report prior to finalising the payroll, accounts payable and accounts receivable batch runs.

Recommendation

We recommended that Shire should implement the process by which "Change To Payroll" report, "Change To Creditors" report and "Change To Debtors" report are produced, from Synergy, prior to finalising each payment run for payroll and accounts payable and especially for the accounts receivable process and ensure the changes reported are checked, confirmed as valid and signed off by a Senior Officer prior to finalising the batch runs.

Management Comments

The Shire of Kent has commenced checking the “Change to Payroll” report prior to the completion of payroll runs as recommended by the Shire’s financial auditor and will investigate the implications of doing so for accounts payable and accounts receivable prior to committing to doing so.

Observations (No Formal Recommendations Made)

Supplier/Vendor Database

The Shire's Supplier/Vendor database is not periodically checked to ensure any duplicated Suppliers/Vendors or old no longer used Supplier/Vendors that may appear in the database are identified and suspended.

CCTV over Point-of-Sale System

There is currently no CCTV nor a duress alarm system installed at the Shire's cash collection location.

Although not a Shire priority due to the level of cash received daily, they do serve as a deterrent and a safety mechanism for staff collecting and handling cash.

Council Policies

The Shire's Finance and Administration policy was last reviewed 19 May 2021. All Council policies and Shire procedures should be reviewed at least once every 2-3 years.

Purchase Orders

Purchase orders are required to be approved at the quote acceptance stage and prior to the date a supplier invoice is received.

We noted 2 instances where a purchase order was approved after a supplier invoice was received and also 1 instance where a purchase order was approved for \$1 but the supplier invoice stated \$50,714.00.

Investment Management

The Shire's investment management policy requires that the investment register details the name of the institution to which the investment is made. The Shire's investment register does not currently show the name of the institutions.

Appendix A – Risk Criteria

The following risk criteria was used to assess level of risk on review findings included in this Review Report.

Risk Assessment Matrix

Likelihood of Risk:

Rating	Description	Frequency
1	Rare – May occur, only in exceptional circumstances	< once in 15 years
2	Unlikely – Could occur at some time	At least once in 10 years
3	Possible – Should occur at some time	At least once in 3 years
4	Likely – Will probably occur in most circumstances	At least once per year
5	Almost Certain – Expected to occur in most circumstances	> once per year

Consequence of Risk:

Description	Health	Financial Loss	Operation	Compliance	Reputation	Project
1.Observation	No injuries or illness	<\$1,000	Little Impact	Minor breach of policy, or process requiring approval or variance	Unsubstantiated, low impact, low profile or no news item.	Small variation to cost, timeliness, scope or quality of objectives and required outcomes.
2. Low	First Aid treatment	\$1,000 to \$5,000	Inconvenient Delays	Breach of policy, process or legislation requiring attention of minimal damage control	Substantiated, low impact, low news profile.	5-10% increase in time or cost or variation to scope objective requiring approval
3. Medium	Medical treatment required	\$5,000 to \$20,000	Significant delays to major deliverables	Breach requiring internal investigation, treatment or moderate damage control	Substantiated, public embarrassment, moderate impact, moderate news profile.	10-20% increase in time or cost or variation to scope objective requiring Senior Management approval
4. High	Death or extensive injuries	\$20,000 to \$50,000	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in tangible loss and damage to reputation	Substantiated, public embarrassment, moderate impact, high news profile and 3 rd party actions.	20-50% increase in time or cost or significant variation to scope objective requiring restructure of project and Senior Management or Council approval
5. Severe	Multiple deaths or sever permanent disabilities	>\$50,000	Non achievement of major deliverables	Breach resulting in external investigation or third party actions resulting in significant tangible loss and damage to reputation	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, 3 rd party actions.	>50% increase in time or cost or inability to meet project objectives requiring the project to be abandoned or redeveloped

Risk Exposure:

Risk = Likelihood x Consequence

Score	Level of Risk	Score	Level of Risk	Score	Level of Risk
1 - 8	Low	9 - 19	Medium	20 - 25	High