

Attachment 8.1.4

NAME OF ENTITY Shire of Nannup

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Assessment of capital grant liabilities	No		✓		✓
2. Information technology framework	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.

The ratings included are preliminary ratings and could be modified pending other findings being identified, rated and the consideration of them collectively on the ratings and any potential impact on the audit opinion.

NAME OF ENTITY Shire of Nannup

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Assessment of capital grant liabilities

From our testing of grants income, we identified that management has not undertaken a regular assessment of capital grant liabilities relating to capital grant funding received up until the financial report was ready for audit (30 September 2024). A review took place after this date resulting in late adjustments to the financial report.

Rating: Moderate (2023: Moderate)

Implication

Increased risk of material misstatement or omissions in the financial records of the Shire.

Recommendation

We recommend that management perform a regular review of:

- capital grants received to assess and determine whether they meet the recognition criteria of capital grant liabilities, as per AASB 1058 *Income of Not-for-Profit Entities*
- capital grant liabilities balance to ensure revenue is recognised within the correct accounting period when or as the grant obligations are satisfied.

This may be incorporated into a month-end or year-end checklist.

Management comment

The Officer agrees with the recommendation to be implemented 2024/2025.

Responsible person: Kim Dolzadelli – Executive Manager Corporate Services

Completion date: Date 31/01/2025

NAME OF ENTITY Shire of Nannup

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Information technology framework

Our testing and enquiry relating to IT and cyber security controls at the Shire of Nannup identified the following:

- The Shire does not have a documented IT strategic plan; and
- There is currently no IT specific risk register maintained by the Shire.

Rating: Moderate

Implication

- Without an appropriately documented IT strategic plan there is an increased risk that IT resources will not be aligned to the business strategy and priorities; and
- Without a process to systematically and periodically identify and review risks, IT risks may not be adequately mitigated.

Recommendation

- The Shire create an IT strategic plan to make sure that all IT investments and processes support business objectives; and
- The Shire document and maintain a register of IT specific risks.

Management comment

The Officer agrees with the recommendation to be implemented 2024/2025.

Responsible person: Kim Dolzadelli – Executive Manager Corporate Services

Completion date: Date 31/05/2025