

SHIRE OF LAVERTON

PERIOD OF AUDIT: 1 JULY 2023 TO 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. Timely lodgement of Annual Returns	No		✓		
2. Unrecorded Liabilities	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.

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1. Timely lodgement of Annual Returns

Finding:

Through enquiries with management, we noted that most of FY24 annual returns were not lodged during the period July 2024 – August 2024. As per the *Local Government Act 1995*, an annual return must be lodged no later than 31 August in any year.

Rating: Moderate

Implication:

Failure to lodge the annual returns by the due date can result in non-compliance with the *Local Government Act 1995*. This non-compliance may lead to potential penalties, reputational damage, and a lack of transparency in the financial reporting process. It can also affect the council's ability to make informed decisions based on accurate and timely financial information.

Recommendation:

1. **Implement a Compliance Calendar:** Establish a compliance calendar that includes all critical deadlines, such as the due date for lodging annual returns. This calendar should be regularly reviewed and updated to ensure all statutory obligations are met on time.
2. **Assign Responsibility:** Designate a specific individual or team responsible for monitoring and ensuring the timely submission of annual returns. This person or team should be accountable for tracking deadlines and coordinating the necessary documentation.
3. **Regular Training:** Provide regular training for staff on the requirements of the Local Government Act 1995 and the importance of timely submission of annual returns. This will help ensure that all relevant personnel are aware of their responsibilities and the consequences of non-compliance.

Management comment:

The finding is noted, the administration tried to prompt early lodgements to be made on time and this will be undertaken as at the 30th of June yearly. The matter is within the compliance calendar, responsibility rests with the CEO and training is not required as the Act is clear.

Responsible Person: Chief Executive Officer

Completion Date: 30th November 2024

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2. Unrecorded Liabilities

Finding

During the final audit, from our procedures and testing over subsequent payments and liabilities, we noted that there were a few issues relating to accounts payables as of 30 June 2024.

We initially tested 13 samples, from subsequent bank payments for the period 1st July 2024 to 31 August 2024 and have noted that 9 of the 13 samples have been recorded in the incorrect financial year. The invoices for the samples were for services provided during FY24, however no accrual was made to record the payable as of 30 June 2024. It was deemed that the samples were incorrectly excluded from payables as of 30 June 2024. The total value of the samples that were not recorded as of 30 June 2024 was \$96,193 which was not considered to be material.

Rating: Minor

Implication

1. **Financial Misstatement:** The exclusion of \$96,193 from the accounts payables as of 30 June 2024 results in a misstatement of the financial position of the company. This misstatement could affect the accuracy and reliability of the financial statements.
2. **Compliance Risk:** Failure to record liabilities accurately may lead to non-compliance with accounting standards and regulatory requirements, potentially resulting in penalties or other legal consequences.
3. **Operational Impact:** Inaccurate financial records can hinder effective decision-making and financial planning, impacting the company's operational efficiency and strategic initiatives.

Recommendation

1. **Review and Rectify:** Conduct a thorough review of all accounts payables as of 30 June 2024 to identify and rectify any unrecorded liabilities. Ensure that all invoices for services provided during FY24 are accurately recorded in the correct financial year.
2. **Strengthen Controls:** Implement stronger internal controls and procedures to ensure timely and accurate recording of accounts payables. This may include regular reconciliations, periodic reviews, and enhanced oversight of the accounts payable process.
3. **Training and Awareness:** Provide training to relevant staff on the importance of accurate financial reporting and the procedures for recording accounts payables. Increase awareness of the implications of financial misstatements and the need for compliance with accounting standards.

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4. **Continuous Monitoring:** Establish a continuous monitoring system to regularly review and assess the accuracy of financial records. This will help in early detection and correction of any discrepancies in accounts payables.

Management Comment;

The finding is noted and that the administration has a process in place for the 30th of June yearly to follow and any matter under \$5,000 is considered immaterial for the financial statements.

Responsible Person: Chief Executive Officer

Completion Date: 30th November 2024