
REPORT UNDER SECTION 7.12A(4)

SIGNIFICANT AUDIT FINDINGS – YEAR ENDED 30 JUNE 2025

Local Government	Shire of Leonora
Audit Report Received	22 December 2025
ARIC Considered	22 September 2026
Council Adopted	22 September 2026
Report Submitted to Minister	

BACKGROUND

The Shire of Leonora received the final audit management letter for the year ended 30 June 2025. The index of findings identifies three findings in the Significant column:

- Finding 1 - Exception reporting for employee and supplier masterfiles.
- Finding 2 - Lack of access management control for masterfile changes in Reckon.
- Finding 3 - Insufficient evidence of quotes obtained for purchase orders.

SIGNIFICANT FINDING 1

EXCEPTION REPORTING FOR EMPLOYEE AND SUPPLIER MASTERFILES

AUDITOR'S FINDING:

In our discussions with management, we identified a gap in the accounting system's functionality. Specifically, there is no exception report generated for changes to the employee masterfile or supplier masterfile, including bank account modifications. Additionally, the system is unable to automatically track which employee made these changes, instead when changes are made employees put manual notes on supplier/employee's page within Reckon on the date & change made. While we recognise that the Shire's policy mandates proper documentation and authorisation for all modifications, the absence of an exception report poses a risk to internal controls.

ACTION TAKEN:

- Council First went live on 1 July 2025 and provides integrated finance and payroll functionality.
- Change Log and Payroll Log entries automatically record masterfile amendments, including the previous value, the new value, the user responsible and the date/time of the change.
- Employee-masterfile changes are reviewed as part of the payroll control process, with unusual or unexpected entries investigated.
- Supplier-masterfile changes are reviewed as part of the month-end process, with supporting authorisation checked where required.
- Role-based permissions restrict who may amend employee and supplier information.
- The Shire continues to refine its review checklists and evidence retention as staff become more familiar with the system.

STATUS AND COMPLETION:

On 1 July 2025 the Shire's new ERP Council First went live. This system includes an integrated finance and payroll system. The system along with appropriate access controls are now in place. The new system addresses the identified risks and can produce a report to detail any updates to the employee and supplier masterfiles. The report

showing changes to employee details is to be run alongside payroll to identify any changes since the last one and unusual items are investigated further if identified, while supplier masterfile changes will be checked as part of the end of month process.

SIGNIFICANT FINDING 2

ACCESS MANAGEMENT CONTROLS FOR MASTERFILE CHANGES

AUDITOR'S FINDING:

All employees with access to Reckon have the ability to modify supplier and customer master file details. This includes a Community Development Officer who lacks involvement in these transactional processes.

ACTION TAKEN:

- Council First went live on 1 July 2025 with user profiles and permissions aligned to job responsibilities.
- Only personnel with an operational requirement may update relevant Masterfile details.
- Access is restricted at a functional level so users cannot edit areas outside their assigned responsibilities.
- System logs identify changes and support review of activity.
- The Shire acknowledges that full segregation of duties is difficult because of its small finance team. Compensating controls include role restrictions, manager/CEO approval processes, audit logs and internal spot checks.
- User access will be reviewed periodically and when employees commence, change roles or leave.

STATUS AND COMPLETION:

On 1 July 2025 the Shire's new ERP Council First went live. This system includes an integrated finance and payroll system. The system along with appropriate access controls are now in place. The new system addresses the identified risks. Individual users have profiles unique to their role, and updates to Masterfile details can only be done by the appropriate personnel.

We have expanded our finance team to include an additional finance staff member, bringing the team to 2 and have worked to segregate duties further through the admin team, though the Finance Manager and the CEO continue to be the final authority on the Shire's finances. Internal spot audits, access controls and approval processes are now all in place, with regular review and refinement being undertaken to ensure they remain suitable for their respective purposes.

Further, an integrated onboarding and offboarding process is being developed regarding access to the relevant systems within the Shire, which will ensure appropriate review of access for all employees, including when they start, when they finish, and when responsibilities change.

SIGNIFICANT FINDING 3

EVIDENCE OF QUOTATIONS FOR PURCHASE ORDERS.

Important note: In The Index of Findings this finding is noted as **Significant**, however the detailed information regarding this finding notes the rating as **Moderate (2024: Moderate)**. It has been included in this report for full transparency, though it is possible it is not a Significant Finding for the purposes of Section 7.12(A).

AUDITOR'S FINDING:

During our testing of the procurement process during last year's audit, we observed that four out of 20 samples did not meet the requirement for obtaining quotes from multiple suppliers before approving purchase orders as

determined by the procurement process. Management has advised us that although they contacted the required number of suppliers, not all of them provided quotes. However, we are unable to verify this as no record is maintained of the calls made.

As per discussion with Kiara Lord (Manager of Business Services) on 6 June 2025, this deficiency has not been rectified completely yet in FY25.

We acknowledge that local governments in regional areas face challenges in soliciting interest from multiple suppliers/service providers.

ACTION TAKEN:

- Council First went live on 1 July 2025 with an integrated purchasing module and approval workflow.
- A compulsory purchase type must be selected when a purchase order is raised, identifying the applicable procurement pathway and quotation requirement.
- Quotation rules and a minimum attachment requirement prevent unsupported or blank purchase orders from progressing. Supporting documentation may include quotations, written supplier responses, or evidence of attempts to obtain quotations where suppliers do not respond.
- Purchase orders are subject to a two-stage workflow and cannot be issued or posted until approved by an authorised Manager or the CEO, who is required to review the purchase order and supporting attachments.
- Staff authorised to raise or approve purchase orders have been trained, and management undertakes spot checks. The configuration continues to be refined where interactions between purchase types, values and quotation rules create unintended system restrictions.

STATUS AND COMPLETION:

The ERP system to replace the one being used for the 2024/2025 period includes an integrated purchasing module that requires a two stage approval process (including for the CEO). This ensures that Purchase Orders cannot be raised without attaching the required number of quotes per the purchasing policy via “Quotation Rules” built into the system. A PO cannot be posted until approved by a Manager, who is required to review the attachments as well as the document to ensure they meet the requirements before they confirm. Approval can be delegated to alternative Managers, however approval must be actioned before the PO can be issued.

Training has been provided to staff able to raise POs, as well as managers who are required to approve it. Only Managers or the CEO can approve Purchase Orders. Spot audits are also conducted by the CEO.

Any person who raises a purchase order has to have this purchase order reviewed by an authorised approver, and controls are in place to ensure that purchasing thresholds are identified, reviewed by the relevant managers, and approved by someone with the relevant purchasing authority (i.e. Purchases over 50,000 are approved by the CEO but may be reviewed by the relevant manager)

Processes around Purchase Orders and obtaining relevant quotes is continuously being reviewed, with improvement on processes, transparency and consistency of approach a key focus.

CONCLUSION

The Shire considers that the core risks identified in the three Significant findings were addressed through the replacement of the previous ERP system via Council First on 1 July 2025. The controls are supported by change logs, restricted user access, approval workflows and required procurement evidence. The Shire will continue to refine the relevant procedures and provide evidence of operating effectiveness through the external audit and ARI oversight processes.