



Audit Committee Meeting

Tuesday, 13 January 2026

Attachment 3 Final Management Letter

SHIRE OF IRWIN

PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Excessive leave balances	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.

SHIRE OF IRWIN**PERIOD OF AUDIT: YEAR ENDING 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. Excessive leave balances****Finding**

Audit testing identified that a number of employees hold significant accrued annual leave and long service leave balances, in excess of the 8 week (304 hours) level stipulated in the entity's policies and procedures/employee contracts.

Specifically, four employees were identified with annual leave balances greater than 304 hours (equivalent to eight weeks). The excess leave for these employees resulted in a provision of approximately \$74,183 relating to the annual leave hours above the 304-hour limit. Seven employees who are eligible to take their long service leave entitlement were identified with long service leave balances greater than 304 hours (equivalent to eight weeks). The excess leave for these employees resulted in a provision of approximately \$99,775 relating to the long service leave hours in excess of the 304-hour limit.

Rating: Moderate (FY2024: Moderate)

Implication

There are increased cash flow risks and business disruption risks associated with employees accumulating large leave balances, if an employee or a number of employees leave the entity or take leave at similar times.

Furthermore, excessive leave balances may have adverse effects on the entity including:

- key staff not being rotated, a preventive control against fraud; and
- health and safety concerns with employees not taking their leave entitlements.

Recommendation

Management should actively monitor annual leave balances and ensure employees are encouraged to take leave in line with policy thresholds. Where leave balances exceed policy limits, management should implement leave plans in consultation with the respective employees to reduce balances to within acceptable levels. Consider periodic reporting of high leave balances to management/executive to support oversight and timely action.

Management comment

Management accepts the finding of excessive leave balances.

Agreed action

Following on from the prior financial year, management have implemented a plan to reduce leave balances. Some employees identified in the finding have already reduced their leave balances after June 2025. As recommended by the auditor, the Shire will consider implementing periodic reporting of high leave balances.

Responsible person: CEO
Completion date: 30 June 2026