City of Nedlands

ABN 92 614 728 214

14 August 2026

The Hon Minister for Department of Local Government,
Industry Regulation and Safety
Locked Bag 14
CLOISTERS SQUARE
PERTH WA 6850

Dear Hon Minister

Report under section 7.12A(4) of the Local Government Act 1995 — significant matters raised in the City's 2024/25 financial report audit

As required by the Section 7.12A(4) of the *Local Government Act 1995*, following receipt of the disclaimer of auditor's opinion on the City's 2024/25 annual financial report we wish to inform the following significant matters were included in the audit opinion. The City's planned actions to overcome the matters raised are also outlined for each point raised.

The auditor identified significant matters arising from a disclaimer of audit opinion, including a qualification in management representation relating to the completeness of transactions recorded during the year and the appropriateness of internal controls supporting financial reporting. The auditor also identified a scope limitation relating to the underpayment of staff.

The City acknowledges the seriousness of these matters and accepts that timely, transparent and corrective actions are required. The matters have been considered by management and will be reported to the Audit, Risk and Improvement Committee (ARIC) and Council for oversight, endorsement and monitoring of the actions outlined below.

1. Completeness of transactions recorded during the year

The City has already upgraded its Authority operating system to cloud based Altitude operating system on 13 July 2026. This will provide assurance on uninterrupted revenue and receipting recording system.

In addition, the City has been reviewing transactions across all material revenue, expenditure, asset, liability and payroll streams to support reporting of material variances via monthly financial activity statements. This will include reconciliation of subsidiary systems to the general ledger, review of month end and year-end cut-off procedures, investigation of unreconciled or unusual balances, and confirmation that all material transactions have been captured in the correct reporting period.

The City will also strengthen month-end and year-end close procedures by introducing documented close checklists and evidence-based preparation and review sign-offs. Additional quality assurance, review and approval process is in place for monthly and year end journals.

2. Internal controls supporting financial reporting

As part of the City remediation plan, to ensure operating effectiveness of key controls, the City will review significant financial policies and procedures, clarifying control ownership, strengthening segregation of duties, improving review and approval processes, and documenting evidence required to support management representations.

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Administration has established the audit log to record and monitor financial reporting and operational control matters raised by internal and external auditors. Where control deficiencies are identified, corrective actions have been assigned to responsible officers with target completion dates. The audit log has been reviewed and updated periodically and presented to the ARIC.

3. Scope limitation relating to underpayment of staff

The City has deployed additional resources to perform a comprehensive review and quantify the financial impact of underpayments of staff. The review will consider applicable industrial instruments, employment contracts, allowances, overtime, leave entitlements, superannuation, and other payroll-related obligations.

Where underpayments are confirmed, the City will calculate amounts owing, make remediation payments as soon as practicable, and communicate appropriately with affected current and former employees. The City has made a provision to cover potential liability in the 2025/26 financial reports.

Governance, monitoring and reporting

The Chief Executive Officer will oversee implementation of the remediation program, with progress reported regularly to the ARIC and Council. The City will maintain an action plan identifying each audit matter, the action required, accountable officer, target completion date, current status and evidence of completion.

The City is committed to restoring confidence in its financial reporting, strengthening its internal control environment, and ensuring that staff payment obligations are properly identified and remediated.

The City will publish this correspondence on its official website within the statutory timeframe after it is provided to the Minister.

Yours sincerely

Arthur Kyron
Interim Chief Executive Officer
City of Nedlands

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