



Shire of Dardanup

# APPENDICES

## AUDIT & RISK COMMITTEE MEETING

To Be Held

Wednesday, 6<sup>th</sup> December 2023  
Commencing at 3.00pm

At

Shire of Dardanup  
ADMINISTRATION CENTRE EATON  
1 Council Drive - EATON

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**SHIRE OF DARDANUP**  
**FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**TABLE OF CONTENTS**

Statement by Chief Executive Officer	2
Statement of Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Statement of Financial Activity	7
Index of Notes to the Financial Report	8
Independent Auditor's Report	47

The Shire of Dardanup conducts the operations of a local government with the following community vision:

*The Shire of Dardanup is a healthy, self-sufficient and sustainable community, that is connected and inclusive, and where our culture and innovation are celebrated.*

Principal place of business:  
Shire of Dardanup  
1 Council Drive  
EATON WA 6232

**SHIRE OF DARDANUP  
FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

*Local Government Act 1995  
Local Government (Financial Management) Regulations 1996*

**STATEMENT BY CEO**

The accompanying financial report of the Shire of Dardanup has been prepared in compliance with the provisions of the *Local Government Act 1995* from proper accounts and records to present fairly the financial transactions for the reporting period ended 30 June 2023 and the financial position as at 30 June 2023.

At the date of signing this statement the particulars included in the financial report are not misleading or inaccurate.

Signed on the 20th day of November 2023



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André Schönfeldt  
Chief Executive Officer



**(Appendix AAR: 8.1A)**
**SHIRE OF DARDANUP**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual	2023 Budget	2022 Actual Restated *
		\$	\$	\$
<b>Revenue</b>				
Rates	2(a),26	15,037,329	15,021,963	14,307,664
Grants, subsidies and contributions	2(a)	2,893,101	2,457,135	2,984,793
Fees and charges	2(a)	3,876,080	3,331,234	3,409,896
Interest revenue	2(a)	871,363	269,350	190,871
Other revenue	2(a)	3,352,629	29,226	19,439
		26,030,502	21,108,908	20,912,663
<b>Expenses</b>				
Employee costs	2(b)	(11,561,261)	(11,453,887)	(10,564,139)
Materials and contracts		(5,802,137)	(5,284,883)	(6,550,689)
Utility charges		(627,520)	(571,758)	(573,880)
Depreciation		(6,860,300)	(6,017,969)	(5,619,217)
Finance costs	2(b)	(181,652)	(204,976)	(108,244)
Insurance		(355,267)	(339,527)	(318,720)
Other expenditure	2(b)	(498,959)	(386,447)	(416,236)
		(25,887,096)	(24,259,447)	(24,151,125)
		143,406	(3,150,539)	(3,238,462)
Capital grants, subsidies and contributions	2(a)	5,273,339	5,179,259	7,438,890
Profit on asset disposals		59,645	2,942,186	36,297
Loss on asset disposals		(945,897)	0	(73,533)
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	3,686	0	3,997
		4,390,773	8,121,445	7,405,651
<b>Net result for the period</b>		<b>4,534,179</b>	<b>4,970,906</b>	<b>4,167,189</b>
<b>Other comprehensive income for the period</b>				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	17	0	0	68,244,336
<b>Total other comprehensive income for the period</b>	17	<b>0</b>	<b>0</b>	<b>68,244,336</b>
<b>Total comprehensive income for the period</b>		<b>4,534,179</b>	<b>4,970,906</b>	<b>72,411,525</b>

This statement is to be read in conjunction with the accompanying notes.

\* Refer to note 31 for correction of prior year error.

**SHIRE OF DARDANUP**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2023**

	NOTE	2023	2022
		\$	Restated *
		\$	\$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	29,585,676	15,051,169
Trade and other receivables	5	715,261	1,257,406
Other financial assets	4(a)	0	7,114,531
Inventories	6	38,783	14,282
Other assets	7	334,497	286,634
<b>TOTAL CURRENT ASSETS</b>		<b>30,674,217</b>	<b>23,724,022</b>
<b>NON-CURRENT ASSETS</b>			
Trade and other receivables	5	139,769	143,597
Other financial assets	4(b)	81,490	77,804
Property, plant and equipment	8	50,025,332	45,324,462
Infrastructure	9	217,130,036	217,096,550
Right-of-use assets	11(a)	230,739	447,313
<b>TOTAL NON-CURRENT ASSETS</b>		<b>267,607,366</b>	<b>263,089,726</b>
<b>TOTAL ASSETS</b>		<b>298,281,583</b>	<b>286,813,748</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	3,486,035	2,831,190
Other liabilities	13	964,271	877,449
Lease liabilities	11(b)	141,270	194,754
Borrowings	14	456,556	392,533
Employee related provisions	15	1,664,462	1,636,069
Other provisions	16	0	0
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,712,594</b>	<b>5,931,995</b>
<b>NON-CURRENT LIABILITIES</b>			
Other liabilities	13	261,660	261,660
Lease liabilities	11(b)	96,117	260,327
Borrowings	14	8,299,934	2,056,490
Employee related provisions	15	242,262	271,516
Other provisions	16	186,910	83,833
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>9,086,883</b>	<b>2,933,826</b>
<b>TOTAL LIABILITIES</b>		<b>15,799,477</b>	<b>8,865,821</b>
<b>NET ASSETS</b>		<b>282,482,106</b>	<b>277,947,927</b>
<b>EQUITY</b>			
Retained surplus		57,684,519	58,694,264
Reserve accounts	29	24,596,016	19,052,092
Revaluation surplus	17	200,201,571	200,201,571
<b>TOTAL EQUITY</b>		<b>282,482,106</b>	<b>277,947,927</b>

This statement is to be read in conjunction with the accompanying notes.

\* Refer to note 31 for correction of prior year error.

**(Appendix AAR: 8.1A)****SHIRE OF DARDANUP  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
<b>Balance as at 1 July 2021</b>		<b>51,740,275</b>	<b>21,838,892</b>	<b>131,957,235</b>	<b>205,536,402</b>
Comprehensive income for the period					
Net result for the period		4,167,189	0	0	4,167,189
Other comprehensive income for the period	17 & 31	0	0	68,244,336	68,244,336
Total comprehensive income for the period		4,167,189	0	68,244,336	72,411,525
Transfers from reserve accounts	29	13,956,121	(13,956,121)	0	0
Transfers to reserve accounts	29	(11,169,321)	11,169,321	0	0
<b>Balance as at 30 June 2022</b>		<b>58,694,264</b>	<b>19,052,092</b>	<b>200,201,571</b>	<b>277,947,927</b>
<b>Restated balance at 1 July 2022</b>		<b>58,694,264</b>	<b>19,052,092</b>	<b>200,201,571</b>	<b>277,947,927</b>
Comprehensive income for the period					
Net result for the period		4,534,179	0	0	4,534,179
Total comprehensive income for the period		4,534,179	0	0	4,534,179
Transfers from reserve accounts	29	7,491,066	(7,491,066)	0	0
Transfers to reserve accounts	29	(13,034,990)	13,034,990	0	0
<b>Balance as at 30 June 2023</b>		<b>57,684,519</b>	<b>24,596,016</b>	<b>200,201,571</b>	<b>282,482,106</b>

This statement is to be read in conjunction with the accompanying notes.

SHIRE OF DARDANUP  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2023

NOTE	2023 Actual \$	2022 Actual \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Receipts</b>		
Rates	15,168,037	14,245,005
Grants, subsidies and contributions	3,180,935	2,631,115
Fees and charges	3,871,581	3,573,290
Interest revenue	871,363	190,871
Goods and services tax received	0	2,429,607
Other revenue	3,352,629	19,439
	26,444,545	23,089,327
<b>Payments</b>		
Employee costs	(11,455,602)	(10,735,655)
Materials and contracts	(5,381,711)	(7,551,093)
Utility charges	(627,520)	(573,880)
Finance costs	(181,652)	(110,003)
Insurance paid	(355,267)	(318,720)
Goods and services tax paid	216,095	(2,290,922)
Other expenditure	(498,959)	(416,236)
	(18,284,616)	(21,996,509)
<b>Net cash provided by (used in) operating activities</b>	8,159,929	1,092,818
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for purchase of property, plant & equipment	(7,997,353)	(6,621,731)
Payments for construction of infrastructure	(3,582,886)	(4,714,844)
Capital grants, subsidies and contributions	2,948,250	5,325,508
Proceeds for financial assets at amortised cost	7,114,531	5,485,765
Proceeds from financial assets at fair values through profit and loss	0	0
Proceeds from sale of property, plant & equipment	1,776,083	243,274
<b>Net cash provided by (used in) investing activities</b>	258,625	(282,028)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	28(a) (392,533)	(333,977)
Payments for principal portion of lease liabilities	28(d) (191,514)	(188,703)
Proceeds from new borrowings	28(a) 6,700,000	320,000
<b>Net cash provided by (used in) financing activities</b>	6,115,953	(202,680)
<b>Net increase (decrease) in cash held</b>	14,534,507	608,110
Cash at beginning of year	15,051,169	14,443,059
<b>Cash and cash equivalents at the end of the year</b>	29,585,676	15,051,169

This statement is to be read in conjunction with the accompanying notes.

**(Appendix AAR: 8.1A)****SHIRE OF DARDANUP  
STATEMENT OF FINANCIAL ACTIVITY  
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual \$	2023 Budget \$	2022 Actual \$
<b>OPERATING ACTIVITIES</b>				
<b>Revenue from operating activities</b>				
General rates	26	14,660,639	14,651,497	13,953,139
Rates excluding general rates	26	376,690	374,466	354,525
Grants, subsidies and contributions		2,893,101	2,457,135	2,984,793
Fees and charges		3,876,080	3,331,234	3,409,896
Interest revenue		871,363	269,350	190,871
Other revenue		3,352,629	29,226	19,439
Profit on asset disposals		59,645	2,942,186	36,297
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	3,686	0	3,997
		<u>26,093,833</u>	<u>24,055,094</u>	<u>20,952,957</u>
<b>Expenditure from operating activities</b>				
Employee costs		(11,561,261)	(11,453,887)	(10,564,137)
Materials and contracts		(5,802,137)	(5,284,883)	(6,550,689)
Utility charges		(627,520)	(571,758)	(573,880)
Depreciation		(6,860,300)	(6,017,969)	(5,619,217)
Finance costs		(181,652)	(204,976)	(108,244)
Insurance		(355,267)	(339,527)	(318,720)
Other expenditure		(498,959)	(386,447)	(416,236)
Loss on asset disposals		(945,897)	0	(73,533)
		<u>(26,832,993)</u>	<u>(24,259,447)</u>	<u>(24,224,656)</u>
Non-cash amounts excluded from operating activities	27(a)	7,747,852	3,305,231	5,670,008
<b>Amount attributable to operating activities</b>		<u>7,008,692</u>	<u>3,100,878</u>	<u>2,398,309</u>
<b>INVESTING ACTIVITIES</b>				
<b>Inflows from investing activities</b>				
Capital grants, subsidies and contributions		5,273,339	5,179,259	7,438,890
Proceeds from disposal of assets		1,776,083	5,025,000	243,274
		<u>7,049,422</u>	<u>10,204,259</u>	<u>7,682,164</u>
<b>Outflows from investing activities</b>				
Purchase of property, plant and equipment	8(a)	(9,243,253)	(17,562,955)	(6,621,731)
Purchase and construction of infrastructure	9(a)	(4,823,303)	(5,062,409)	(4,714,844)
		<u>(14,066,556)</u>	<u>(22,625,364)</u>	<u>(11,336,575)</u>
Non-cash amounts excluded from investing activities	27(b)	(460,913)	(233,448)	(2,113,811)
<b>Amount attributable to investing activities</b>		<u>(7,478,047)</u>	<u>(12,654,553)</u>	<u>(5,768,222)</u>
<b>FINANCING ACTIVITIES</b>				
<b>Inflows from financing activities</b>				
Proceeds from borrowings	28(a)	6,700,000	7,000,000	320,000
Transfers from reserve accounts	29	7,491,066	13,715,412	13,956,121
		<u>14,191,066</u>	<u>20,715,412</u>	<u>14,276,121</u>
<b>Outflows from financing activities</b>				
Repayment of borrowings	28(a)	(392,533)	(529,714)	(333,977)
Payments for principal portion of lease liabilities	28(d)	(191,514)	(238,834)	(188,703)
Transfers to reserve accounts	29	(13,034,990)	(10,440,476)	(11,169,321)
		<u>(13,619,037)</u>	<u>(11,209,024)</u>	<u>(11,692,001)</u>
<b>Amount attributable to financing activities</b>		<u>572,029</u>	<u>9,506,389</u>	<u>2,584,120</u>
<b>MOVEMENT IN SURPLUS OR DEFICIT</b>				
<b>Surplus or deficit at the start of the financial year</b>	27(c)	175,393	184,453	961,190
Amount attributable to operating activities		7,008,692	3,100,878	2,398,309
Amount attributable to investing activities		(7,478,047)	(12,654,553)	(5,768,222)
Amount attributable to financing activities		572,029	9,506,389	2,584,120
<b>Surplus or deficit after imposition of general rates</b>	27(c)	<u><b>278,067</b></u>	<u><b>137,167</b></u>	<u><b>175,393</b></u>

This statement is to be read in conjunction with the accompanying notes.



**SHIRE OF DARDANUP  
FOR THE YEAR ENDED 30 JUNE 2023  
INDEX OF NOTES TO THE FINANCIAL REPORT**

**(Appendix AAR: 8.1A)**

Note 1	Basis of Preparation	9
Note 2	Revenue and Expenses	10
Note 3	Cash and Cash Equivalents	12
Note 4	Other Financial Assets	12
Note 5	Trade and Other Receivables	13
Note 6	Inventories	14
Note 7	Other Assets	15
Note 8	Property, Plant and Equipment	16
Note 9	Infrastructure	18
Note 10	Fixed Assets	20
Note 11	Leases	22
Note 12	Trade and Other Payables	24
Note 13	Other Liabilities	25
Note 14	Borrowings	26
Note 15	Employee Related Provisions	27
Note 16	Other Provisions	28
Note 17	Revaluation Surplus	29
Note 18	Notes to the Statement of Cash Flows	30
Note 19	Restrictions Over Financial Assets	31
Note 20	Undrawn Borrowing Facilities and Credit Standby Arrangements	31
Note 21	Contingent Liabilities	32
Note 22	Capital Commitments	32
Note 23	Related Party Transactions	33
Note 24	Events Occurring After the End of the Reporting Period	35
Note 25	Other Significant Accounting Policies	36

**Information required by legislation**

Note 26	Rating Information	37
Note 27	Determination of Surplus or Deficit	38
Note 28	Borrowing and Lease Liabilities	39
Note 29	Reserve accounts	43
Note 30	Trust Funds	45
Note 31	Correction of errors	46

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**1. BASIS OF PREPARATION**

The financial report comprises general purpose financial statements which have been prepared in accordance with the *Local Government Act 1995* and accompanying regulations.

**Local Government Act 1995 requirements**

Section 6.4(2) of the *Local Government Act 1995* read with the *Local Government (Financial Management) Regulations 1996* prescribe that the financial report be prepared in accordance with the *Local Government Act 1995* and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards. The Australian Accounting Standards (as they apply to local governments and not-for-profit entities) and Interpretations of the Australian Accounting Standards Board except for disclosure requirements of:

- AASB 7 Financial Instruments Disclosures
- AASB 16 Leases paragraph 58
- AASB 101 Presentation of Financial Statements paragraph 61
- AASB 107 Statement of Cash Flows paragraphs 43 and 45
- AASB 116 Property, Plant and Equipment paragraph 79
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets paragraph 85
- AASB 140 Investment Property paragraph 75(f)
- AASB 1052 Disaggregated Disclosures paragraph 11
- AASB 1054 Australian Additional Disclosures paragraph 16

The *Local Government (Financial Management) Regulations 1996* specify that vested land is a right-of-use asset to be measured at cost, and is considered a zero cost concessionary lease. All right-of-use assets under zero cost concessionary leases are measured at zero cost rather than at fair value, except for vested improvements on concessionary land leases such as roads, buildings or other infrastructure which continue to be reported at fair value, as opposed to the vested land which is measured at zero cost. The measurement of vested improvements at fair value is a departure from AASB 16 which would have required the Shire to measure any vested improvements at zero cost.

Accounting policies which have been adopted in the preparation of this financial report have been consistently applied unless stated otherwise. Except for cash flow and rate setting information, the financial report has been prepared on the accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

**The local government reporting entity**

All funds through which the Shire controls resources to carry on its functions have been included in the financial statements forming part of this financial report.

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 30 of the financial report.

**Judgements and estimates**

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The balances, transactions and disclosures impacted by accounting estimates are as follows:

- estimated fair value of certain financial assets
- impairment of financial assets
- estimation of fair values of land and buildings, and infrastructure.
- estimation uncertainties made in relation to lease accounting

**Initial application of accounting standards**

During the current year, the following new or revised Australian Accounting Standards and Interpretations were applied for the first time.

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- AASB 2021-7a Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]
- AASB 2022-3 Amendments to Australian Accounting Standards - Illustrative Examples for Not-for-Profit Entities accompanying AASB 15

These amendments have no material impact on the current annual financial report

**New accounting standards for application in future years**

The following new accounting standards will have application to local government in future years:

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies or Definition of Accounting Estimates  
This standard will result in a terminology change for significant accounting policies
- AASB 2021-7c Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014-10 apply]
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback
- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
- AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards
- AASB 2022-10 Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

The amendment may result in changes to the fair value of non-financial assets. The impact is yet to be quantified.

Except as described above these amendments are not expected to have any material impact on the financial report on initial application.

**SHIRE OF DARDANUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**2. REVENUE AND EXPENSES**

**(a) Revenue**

**Contracts with customers**

Recognition of revenue is dependant on the source of revenue and the associated terms and conditions associated with each source of revenue and recognised as follows:

Revenue Category	Nature of goods and services	When obligations typically satisfied	Payment terms	Returns/Refunds/Warranties	Timing of revenue recognition
Grants, subsidies and contributions	Community events, minor facilities, research, design, planning evaluation and services	Over time	Fixed terms transfer of funds based on agreed milestones and reporting	Contract obligation if project not complete	Output method based on project milestones and/or completion date matched to performance obligations
Fees and charges - licences, registrations, approvals	Building, planning, development and animal management.	Single point in time	Full payment prior to issue	None	On payment of the licence, registration or approval
Fees and charges - waste management entry fees	Waste treatment, recycling and disposal service at disposal sites	Single point in time	Payment in advance at gate or on normal trading terms if credit provided	None	On entry to facility
Fees and charges - airport landing charges	Permission to use facilities and runway	Single point in time	Monthly in arrears	None	On landing/departure event
Fees and charges - sale of stock	Aviation fuel, kiosk and visitor centre stock	Single point in time	In full in advance, on 15 day credit	Refund for faulty goods	At point of sale
Other revenue - private works	Contracted private works	Single point in time	Monthly in arrears	None	At point of service

Consideration from contracts with customers is included in the transaction price.

**Revenue Recognition**

Revenue recognised during the year under each basis of recognition by nature of goods or services is provided in the table below:

**For the year ended 30 June 2023**

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	14,660,639	376,690	15,037,329
Grants, subsidies and contributions	2,893,101	0	0	0	2,893,101
Fees and charges	0	0	199,827	3,676,253	3,876,080
Interest revenue	0	0	116,199	755,164	871,363
Other revenue	3,331,270	0	0	21,359	3,352,629
Capital grants, subsidies and contributions	5,273,339	0	0	0	5,273,339
<b>Total</b>	<b>11,497,710</b>	<b>0</b>	<b>14,976,665</b>	<b>4,829,466</b>	<b>31,303,841</b>

**For the year ended 30 June 2022**

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	0	0	13,953,139	354,525	14,307,664
Grants, subsidies and contributions	2,984,793	0	0	0	2,984,793
Fees and charges	0	0	200,425	3,209,471	3,409,896
Interest revenue	0	0	110,658	80,213	190,871
Other revenue	19,439	0	0	0	19,439
Capital grants, subsidies and contributions	0	7,438,890	0	0	7,438,890
<b>Total</b>	<b>3,004,232</b>	<b>7,438,890</b>	<b>14,264,222</b>	<b>3,644,209</b>	<b>28,351,553</b>

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**2. REVENUE AND EXPENSES (Continued)**

**(a) Revenue (Continued)**

Note	2023 Actual \$	2022 Actual \$
<b>Assets and services acquired below fair value</b>		
Contributed assets	2,486,317	0
	2,486,317	0
<b>Interest revenue</b>		
Interest on reserve account funds	489,090	67,300
Trade and other receivables overdue interest	116,199	110,658
Other interest revenue	266,074	12,913
	871,363	190,871
The 2023 original budget estimate in relation to: Trade and other receivables overdue interest was \$114,986.		
<b>Fees and charges relating to rates receivable</b>		
Charges on instalment plan	81,964	74,921
The 2023 original budget estimate in relation to: Charges on instalment plan was \$87,080.		
<b>Other revenue</b>		
Revenue from sale of land inventory (Lot 601)	3,331,270	0
Revenue from fuel tax credits	21,359	19,439
	3,352,629	19,439
<b>(b) Expenses</b>		
<b>Auditors remuneration</b>		
- Audit of the Annual Financial Report	42,000	36,600
- Other services – grant acquittals	5,550	14,010
	47,550	50,610
<b>Employee Costs</b>		
Employee benefit costs	11,561,261	10,564,137
Other employee costs	0	0
	11,561,261	10,564,137
<b>Finance costs</b>		
Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	181,652	108,244
	181,652	108,244
<b>Other expenditure</b>		
Sundry expenses	498,959	416,236
	498,959	416,236

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**3. CASH AND CASH EQUIVALENTS**

Note	2023	2022
	\$	\$
Cash at bank and on hand	29,585,676	15,051,169
<b>Total cash and cash equivalents</b>	<b>29,585,676</b>	<b>15,051,169</b>
Held as		
- Unrestricted cash and cash equivalents	4,989,660	3,113,608
- Restricted cash and cash equivalents	24,596,016	11,937,561
	<b>29,585,676</b>	<b>15,051,169</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, cash at bank, deposits available on demand with banks and other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts are reported as short term borrowings in current liabilities in the statement of financial position.

**Restricted financial assets**

Restricted financial asset balances are not available for general use by the local government due to externally imposed restrictions. Restrictions are specified in an agreement, contract or legislation. This applies to reserve accounts, unspent grants, subsidies and contributions and unspent loans that have not been fully expended in the manner specified by the contributor, legislation or loan agreement and for which no liability has been recognised.

**4. OTHER FINANCIAL ASSETS**

**(a) Current assets**

Financial assets at amortised cost

**Other financial assets at amortised cost**

Term deposits

Held as

- Restricted other financial assets at amortised cost

**(b) Non-current assets**

Financial assets at fair value through profit or loss

**Financial assets at fair value through profit or loss**

Units in Local Government House Trust - opening balance

Movement attributable to fair value increment

Units in Local Government House Trust - closing balance

	2023	2022
	\$	\$
	0	7,114,531
	0	7,114,531
	0	7,114,531
	0	7,114,531
	0	7,114,531
	0	7,114,531
	0	7,114,531
	81,490	77,804
	81,490	77,804
	77,804	73,807
	3,686	3,997
	81,490	77,804

**SIGNIFICANT ACCOUNTING POLICIES**

**Other financial assets at amortised cost**

The Shire classifies financial assets at amortised cost if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cashflows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 25 (i)) due to the observable market rates).

Interest received is presented under cashflows from operating activities in the Statement of Cash Flows where it is earned from financial assets that are held for cash management purposes.

**Financial assets at fair value through profit or loss**

The Shire has elected to classify the following financial assets at fair value through profit or loss:

- debt investments which do not qualify for measurement at either amortised cost or fair value through other comprehensive income.
- equity investments which the Shire has elected to recognise as fair value gains and losses through profit or loss.

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**5. TRADE AND OTHER RECEIVABLES**

Note	2023	2022
	\$	\$
<b>Current</b>		
Rates and statutory receivables	420,195	465,832
Trade receivables	98,094	399,598
GST receivable	160,416	376,511
Allowance for credit losses of trade receivables	(1,950)	(5,543)
Fuel tax credits	6,036	1,904
Pensioner rates rebate	32,470	19,104
	715,261	1,257,406
<b>Non-current</b>		
Pensioner rates and ESL deferred	139,769	143,597
	139,769	143,597

**SIGNIFICANT ACCOUNTING POLICIES**

**Rates and statutory receivables**

Rates and statutory receivables are non-contractual receivables arising from statutory requirements and include amounts due from ratepayers for unpaid rates and service charges and other statutory charges or fines.

Rates and statutory receivables are recognised when the taxable event has occurred and can be measured reliably.

**Trade receivables**

Trade receivables are amounts receivable from contractual arrangements with customers for goods sold, services performed or grants or contributions with sufficiently specific performance obligations as part of the ordinary course of business.

**Other receivables**

Other receivables are amounts receivable from contractual arrangements with third parties other than contracts with customers including grants for the construction of recognisable non financial assets.

**Measurement**

Trade and other receivables are recognised initially at the amount of the transaction price, unless they contain a significant financing component, and are to be recognised at fair value.

**Classification and subsequent measurement**

Receivables which are generally due for settlement within 30 days except rates receivables which are expected to be collected within 12 months are classified as current assets. All other receivables such as, deferred pensioner rates receivable after the end of the reporting period are classified as non-current assets.

Trade and other receivables are held with the objective to collect the contractual cashflows and therefore the Shire measures them subsequently at amortised cost using the effective interest rate method.

Due to the short term nature of current receivables, their carrying amount is considered to be the same as their fair value. Non-current receivables are indexed to inflation, any difference between the face value and fair value is considered immaterial.



**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**7. OTHER ASSETS**

**Other assets - current**

Prepayments

Accrued income

<b>2023</b>	<b>2022</b>
<b>\$</b>	<b>\$</b>
68,997	41,896
265,500	244,738
<b>334,497</b>	<b>286,634</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Other current assets**

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

**Non-current assets held for sale**

Assets are classified as held for sale where the carrying amount will be recovered through a sale rather than continuing use and the asset is available for immediate sale with a sale being highly probable.

**Non-current assets held for sale (Continued)**

Non-current assets classified as held for sale are valued at the lower of the carrying amount and fair value less costs to sell.



**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**8. PROPERTY, PLANT AND EQUIPMENT**

**(a) Movements in Balances**

Movement in the balances of each class of property, plant and equipment between the beginning and the end of the current financial year.

	Land	Buildings - non-specialised	Buildings - specialised	Buildings - operating lease	Land and buildings not subject to operating lease	Land and buildings subject to operating lease	Total land and buildings	Furniture and equipment	Plant and equipment	Motor vehicles	Buildings - work in progress	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	7,160,000	30,218,149	0	37,378,149	0	37,378,149	286,821	82,214	2,155,203	2,116,480	42,018,867	
Additions	0	3,267,870	0	3,267,870	0	3,267,870	58,484	404,668	823,181	2,067,528	6,621,731	
Disposals	0	(70,235)	0	(70,235)	0	(70,235)	(3,288)	0	(206,987)	0	(280,510)	
Depreciation	0	(1,240,542)	0	(1,240,542)	0	(1,240,542)	(76,057)	(38,953)	(310,832)	0	(1,666,384)	
Transfers	0	475,194	0	475,194	0	475,194	0	0	0	(1,844,436)	(1,369,242)	
<b>Balance at 30 June 2022</b>	7,160,000	32,650,436	0	39,810,436	0	39,810,436	265,960	447,929	2,460,565	2,339,572	45,324,462	
<b>Comprises:</b>												
Gross balance amount at 30 June 2022	7,160,000	53,645,596	0	60,805,596	0	60,805,596	1,628,841	593,444	5,075,767	2,339,572	70,443,220	
Accumulated depreciation at 30 June 2022	0	(20,995,160)	0	(20,995,160)	0	(20,995,160)	(1,362,881)	(145,515)	(2,615,202)	0	(25,118,758)	
<b>Balance at 30 June 2022</b>	7,160,000	32,650,436	0	39,810,436	0	39,810,436	265,960	447,929	2,460,565	2,339,572	45,324,462	
Additions*	1,246,000	753,597	0	1,999,597	0	1,999,597	98,066	5,215	579,139	6,561,236	9,243,217	
Disposals	0	(2,307,325)	0	(2,307,325)	0	(2,307,325)	0	0	(50,687)	(19,374)	(2,377,386)	
Depreciation	0	(1,284,487)	0	(1,284,487)	0	(1,284,487)	(69,787)	(52,053)	(283,926)	0	(1,690,250)	
Transfers	0	547,281	0	547,281	0	547,281	0	0	0	(1,022,025)	(474,744)	
<b>Balance at 30 June 2023</b>	8,406,000	30,359,502	0	38,765,502	0	38,765,502	294,239	401,091	2,705,091	7,859,409	50,025,362	
<b>Comprises:</b>												
Gross balance amount at 30 June 2023	8,406,000	49,565,874	0	57,971,874	0	57,971,874	1,726,907	598,659	5,253,992	7,859,409	73,410,839	
Accumulated depreciation at 30 June 2023	0	(19,206,372)	0	(19,206,372)	0	(19,206,372)	(1,432,668)	(197,568)	(2,548,901)	0	(23,385,509)	
<b>Balance at 30 June 2023</b>	8,406,000	30,359,502	0	38,765,502	0	38,765,502	294,239	401,091	2,705,091	7,859,409	50,025,362	

(Appendix AAR 8.1A)

\* Asset additions included additions received at substantially less than fair value:

During the year ended 30 June 2023	1,245,900	0	0	1,245,900	0	1,245,900	0	0	0	0	1,245,900
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**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**8. PROPERTY, PLANT AND EQUIPMENT (Continued)**

(b) Carrying Value Measurements

<b>(i) Fair Value</b>	<b>Asset Class</b>	<b>Fair Value Hierarchy</b>	<b>Valuation Technique</b>	<b>Basis of Valuation</b>	<b>Date of Last Valuation</b>	<b>Inputs Used</b>
	<b>Land and buildings</b>					
	Land	2	Market approach using recent observable market data for similar properties	Independent registered valuer	June 2021	Price per hectare / market borrowing rate
	Buildings - non-specialised	3	Market approach using recent observable market data for properties	Independent registered valuer	June 2021	Construction costs and current condition, residual values and remaining useful life assessments inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.

**(ii) Cost**

<b>Furniture and equipment</b>	N/A	Cost	Not applicable	N/A
<b>Plant and equipment</b>	N/A	Cost	Not applicable	N/A
<b>Motor vehicles</b>	N/A	Cost	Not applicable	N/A

**(Appendix AAR: 8.1A)**

SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

9. INFRASTRUCTURE

(a) Movements in Balances

Movement in the balances of each class of infrastructure between the beginning and the end of the current financial year.

	Infrastructure - roads	Infrastructure - footpaths	Other infrastructure - drainage	Other infrastructure - parks and ovals	Other infrastructure - bridges	Other infrastructure - car parks	Other infrastructure - lighting	Roads - work in progress	Footpaths - work in progress	Drainage - work in progress	Parks and ovals - work in progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	92,185,825	7,398,430	16,560,150	6,185,696	24,200,000	0	0	0	0	0	0	146,530,101
Additions	2,331,674	623,164	0	1,611,603	0	58,333	90,070	0	0	0	0	4,714,844
Revaluation increments / (decrements) transferred to revaluation surplus	50,847,232	6,007,356	5,988,057	7,471,741	0	1,289,053	2,127,985	0	0	0	0	73,731,424
Depreciation	(2,579,905)	(219,271)	(333,136)	(200,114)	(429,549)	0	0	0	0	0	0	(3,761,975)
Transfers	0	0	0	713,019	0	656,225	0	0	0	0	0	1,369,244
<b>Balance at 30 June 2022</b>	142,784,826	13,809,679	22,215,071	15,781,945	23,770,451	2,003,611	2,218,055	0	0	0	0	222,583,638
<b>Comprises:</b>												
Gross balance at 30 June 2022	164,384,485	19,118,187	30,919,477	24,136,700	38,959,000	3,910,819	2,841,328	0	0	0	0	284,269,906
Accumulated depreciation at 30 June 2022	(21,599,659)	(5,308,508)	(8,704,406)	(8,354,755)	(15,188,549)	(1,907,208)	(623,273)	0	0	0	0	(61,686,358)
<b>Balance at 30 June 2022</b>	142,784,826	13,809,679	22,215,071	15,781,945	23,770,451	2,003,611	2,218,055	0	0	0	0	222,583,638
Correction of error				(5,487,088)								(5,487,088)
<b>Restated balance at 1 July 2022</b>	142,784,826	13,809,679	22,215,071	10,294,857	23,770,451	2,003,611	2,218,055	0	0	0	0	217,096,550
Additions*	990,668	122,288	722,718	755,146	627,885	68,522	482,647	817,505	13,349	26,671	195,904	4,823,303
(Disposals)	0	0	0	(269,566)	0	0	0	(7,133)	0	0	0	(276,699)
Depreciation	(2,941,041)	(457,307)	(410,611)	(522,112)	(429,549)	(76,925)	(142,066)	0	0	0	0	(4,979,611)
Transfers	165,024	5,572	0	150,351	0	552	3,036	135,405	0	4,394	2,159	466,493
<b>Balance at 30 June 2023</b>	140,999,477	13,480,232	22,527,178	10,408,676	23,968,787	1,995,760	2,561,672	945,777	13,349	31,065	198,063	217,130,036
<b>Comprises:</b>												
Gross balance at 30 June 2023	165,540,177	19,246,047	31,642,195	15,952,205	39,586,885	3,979,883	3,327,011	945,777	13,349	31,065	198,063	280,462,667
Accumulated depreciation at 30 June 2023	(24,540,700)	(5,765,815)	(9,115,017)	(5,543,529)	(15,618,099)	(1,984,135)	(785,339)	0	0	0	0	(63,332,631)
<b>Balance at 30 June 2023</b>	140,999,477	13,480,232	22,527,178	10,408,676	23,968,787	1,995,760	2,561,672	945,777	13,349	31,065	198,063	217,130,036
* Asset additions included additions received at substantially less than fair value: During the year ended 30 June 2023	484,943	89,817	665,657	0	0	0	0	0	0	0	0	1,240,417

(Appendix AAR: 8.1A)

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**9. INFRASTRUCTURE (Continued)**

(b) Carrying Value Measurements

(i) Fair Value	Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
	Infrastructure - roads	3	Cost approach using current replacement cost	Management valuation	June 2022	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
	Other infrastructure - footpaths	3	Cost approach using current replacement cost	Management valuation	June 2022	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
	Other infrastructure - drainage	3	Cost approach using current replacement cost	Management valuation	June 2022	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
	Other infrastructure - parks and ovals	3	Cost approach using current replacement cost	Management valuation	June 2022	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
	Other infrastructure - bridges	3	Cost approach using current replacement cost	Independent valuation	June 2021	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
	Other infrastructure - car parks	3	Cost approach using current replacement cost	Management valuation	June 2022	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs
	Other infrastructure - lighting	3	Cost approach using current replacement cost	Management valuation	June 2022	Construction costs and current condition (Level 2), residual values and remaining useful life assessments (Level 3) inputs

Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.

During the period there were no changes in the valuation techniques used to determine the fair value of infrastructure using level 3 inputs.

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**10. FIXED ASSETS**

**(a) Depreciation**

**Depreciation rates**

Typical estimated useful lives for the different asset classes for the current and prior years are included in the table below:

<b>Asset Class</b>	<b>Useful life</b>
Buildings - non-specialised	
- sub-structure	18 to 90 years
- super-structure	15 to 75 years
- roof	14 to 68 years
- finishing & fittings	8 to 38 years
- services	11 to 53 years
- site surround works	30 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 10 years
Motor vehicles	4 to 5 years
Work in progress	Not depreciated
Infrastructure Assets - Roads	
Sealed Roads and Streets	
- earthwork	Not depreciated
- pavement	30 to 80 years
- seal: bitumen	20 years
- seal: asphalt	40 years
- seal: brick paving	40 years
- kerbing	60 years
- drainage	40 years
Gravel Roads	
- earthwork	Not depreciated
- pavement	10 to 20 years
Infrastructure Assets - Pathways	
- concrete	50 years
- limestone	15 years
- paving	25 years
- asphalt	20 years
- timber	30 years
Infrastructure - Stormwater Drainage	50 to 75 years
Infrastructure - Parks and Reserves	
- playgrounds	15 years
- furniture	15 years
- turf	20 years
- gardens	15 years
- irrigation	12 to 40 years
- sporting infrastructure	15 to 25 years
- rubbish bin enclosures	15 years
- marine structures	20 years
- other structures	15 to 80 years
Infrastructure - Bridges	
- timber	80 years
- other	100 years
Infrastructure - Car Parks	
- earthwork	Not depreciated
- pavement	30 to 80 years
- seal: bitumen	20 years
- seal: asphalt	40 years
- seal: brick paving	40 years
- kerbing	60 years
- drainage	40 years
Infrastructure - Lighting	5 to 25 years
Right of use - land	Based on the remaining lease
Right of use - buildings	Based on the remaining lease
Right of use - plant and equipment	Based on the remaining lease
Right of use - furniture and fittings	Based on the remaining lease
Right of use - motor vehicles	Based on the remaining lease

SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

10. FIXED ASSETS (Continued)

**SIGNIFICANT ACCOUNTING POLICIES**

**Fixed assets**

Each class of fixed assets within either property, plant and equipment or infrastructure, is carried at cost or fair value (as indicated), less any accumulated depreciation and impairment losses.

**Initial recognition and measurement for assets held at cost**

Plant and equipment including furniture and equipment is recognised at cost on acquisition in accordance with *Financial Management Regulation 17A*. Where acquired at no cost, the asset is initially recognised at fair value. Assets held at cost are depreciated and assessed for indicators of impairment annually.

**Initial recognition and measurement between mandatory revaluation dates for assets held at fair value**

Assets for which the fair value as at the date of acquisition is under \$5,000 are not recognised as an asset in accordance with *Financial Management Regulation 17A (5)*. These assets are expensed immediately.

Where multiple individual low value assets are purchased together as part of a larger asset or collectively forming a larger asset exceeding the threshold, the individual assets are recognised as one asset and capitalised.

Upon initial recognition, cost is determined as the amount paid (or other consideration given) to acquire the assets, plus costs incidental to the acquisition. For assets acquired at zero cost or otherwise significantly less than fair value, cost is determined as fair value at the date of acquisition. The cost of non-current assets constructed by the Shire includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

Individual assets that are land, buildings, infrastructure and investment properties acquired between scheduled revaluation dates of the asset class in accordance with the Shire's revaluation policy, are recognised at cost and disclosed as being at fair value as management believes cost approximates fair. They are subject to subsequent revaluation at the next revaluation date consistent with *Financial Management Regulation 17A(4)*.

**Revaluation**

The fair value of land, buildings, infrastructure and investment properties is determined at least every five years in accordance with the regulatory framework. This includes buildings and infrastructure items which were pre-existing improvements (i.e. vested improvements) on vested land acquired by the Shire.

At the end of each period, the carrying amount for each asset class is reviewed and, where appropriate, the fair value is updated to reflect current market conditions consistent with *Financial Management Regulation 17A(2)* which requires land, buildings infrastructure, investment properties and vested improvements to be shown at fair value.

**Revaluation (continued)**

For property, plant and equipment and infrastructure, increases in the carrying amount arising on revaluation of asset classes are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same class of asset are recognised against revaluation surplus directly in equity. All other decreases are recognised in profit or loss. Subsequent increases are then recognised in profit or loss to the extent they reverse a net revaluation decrease previously recognised in profit or loss for the same class of asset.

**Depreciation**

The depreciable amount of all property, plant and equipment and infrastructure, are depreciated on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful life of the improvements.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

**Depreciation on revaluation**

When an item of property, plant and equipment and infrastructure is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways:

- (i) The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset.
- (ii) Eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

**Amortisation**

All intangible assets with a finite useful life, are amortised on a straight-line basis over the individual asset's useful life from the time the asset is held ready for use.

The residual value of intangible assets is considered to be zero and the useful life and amortisation method are reviewed at the end of each financial year.

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 10(a).

**Impairment**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**Gains or losses on disposal**

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income in the period in which they arise.

**SHIRE OF DARDANUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**11. LEASES**

**(a) Right-of-Use Assets**

Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.	Note	Right-of-use assets - land and buildings	Right-of-use assets - furniture and equipment	Right-of-use assets - plant and equipment	Right-of-use assets Total
		\$	\$	\$	\$
<b>Balance at 1 July 2021</b>		88,439	438,999	6,234	533,672
Additions		113,799	0	0	113,799
Gains/(losses) from sale and leaseback transactions		(30,302)	25,704	(4,702)	(9,300)
Depreciation		(38,505)	(150,821)	(1,532)	(190,858)
<b>Balance at 30 June 2022</b>		133,431	313,882	0	447,313
Gross balance amount at 30 June 2022		171,936	464,703	1,532	638,171
Accumulated depreciation at 30 June 2022		(38,505)	(150,821)	(1,532)	(190,858)
<b>Balance at 30 June 2022</b>		133,431	313,882	0	447,313
Gains/(losses) from sale and leaseback transactions		(26,138)	0	0	(26,138)
Depreciation		(48,653)	(141,783)		(190,436)
<b>Balance at 30 June 2023</b>		58,640	172,099	0	230,739
Gross balance amount at 30 June 2023		158,758	595,648	0	754,406
Accumulated depreciation at 30 June 2023		(100,118)	(423,549)		(523,667)
<b>Balance at 30 June 2023</b>		58,640	172,099	0	230,739

The following amounts were recognised in the statement of comprehensive income during the period in respect of leases where the entity is the lessee:

		2023 Actual	2022 Actual
		\$	\$
Depreciation on right-of-use assets		(190,436)	(190,858)
Finance charge on lease liabilities	28(d)	(7,360)	(10,703)
Lease principal expense		(191,514)	(188,703)
<b>Total amount recognised in the statement of comprehensive income</b>		<b>(389,310)</b>	<b>(390,264)</b>
Total cash outflow from leases		(198,874)	(199,406)
<b>(b) Lease Liabilities</b>			
Current		141,270	194,754
Non-current		96,117	260,327
	28(d)	<b>237,387</b>	<b>455,081</b>

**Secured liabilities and assets pledged as security**

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

**SIGNIFICANT ACCOUNTING POLICIES**

**Leases**

At inception of a contract, the Shire assesses if the contract contains or is a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a right-of-use asset is recognised at cost and lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Shire uses its incremental borrowing rate.

All contracts that are classified as short-term leases (i.e. a lease with a term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Details of individual lease liabilities required by regulations are provided at Note 28(d).

**Right-of-use assets - measurement**

Right-of-use assets are measured at cost. All right-of-use assets (other than vested improvements) under zero cost concessionary leases are measured at zero cost (i.e. not recognised in the Statement of Financial Position). The exception is vested improvements on concessionary land leases such as roads, buildings or other infrastructure which are reported at fair value.

Refer to Note 10 under revaluation for details on the significant accounting policies applying to vested improvements.

**Right-of-use assets - depreciation**

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shorter. Where a lease transfers ownership of the underlying asset, or the cost of the right-of-use asset reflects that the Shire anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

11. LEASES (Continued)

(c) Lessor - Property, Plant and Equipment Subject to Lease

The table below represents a maturity analysis of the undiscounted lease payments to be received after the reporting date.

Less than 1 year  
1 to 2 years  
2 to 3 years  
3 to 4 years

	2023 Actual	2022 Actual
	\$	\$
	144,946	202,596
	84,911	158,288
	12,593	95,198
	0	12,330
	242,450	468,412

**SIGNIFICANT ACCOUNTING POLICIES**

**The Shire as Lessor**

Upon entering into each contract as a lessor, the Shire assesses if the lease is a finance or operating lease.

The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases. Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease.

Initial direct costs incurred in entering into an operating lease (eg legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

When a contract is determined to include lease and non-lease components, the Shire applies AASB 15 to allocate the consideration under the contract to each component.



**SHIRE OF DARDANUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**12. TRADE AND OTHER PAYABLES**

**Current**

Sundry creditors	1,624,075	1,149,276
Prepaid rates	970,687	885,616
Accrued payroll liabilities	218,644	171,847
ATO liabilities	30,146	0
Bonds and deposits held	538,979	584,732
Accrued interest on long term borrowings	101,879	28,572
Accrued expenses	0	6,565
Prepaid revenue	1,625	4,582

<b>2023</b>	<b>2022</b>
<b>\$</b>	<b>\$</b>
1,624,075	1,149,276
970,687	885,616
218,644	171,847
30,146	0
538,979	584,732
101,879	28,572
0	6,565
1,625	4,582
<b>3,486,035</b>	<b>2,831,190</b>

**SIGNIFICANT ACCOUNTING POLICIES**

**Financial liabilities**

Financial liabilities are initially recognised at fair value when the Shire becomes a party to the contractual provisions of the instrument.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and any consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the end of the financial year that are unpaid and arise when the Shire becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured, are recognised as a current liability and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

**Prepaid rates**

Prepaid rates are, until the taxable event has occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire recognises income for the prepaid rates that have not been refunded.

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**13. OTHER LIABILITIES**

	2023	2022
	\$	\$
<b>Current</b>		
Contract liabilities from contracts with customers - Grant Revenue	621,264	598,305
Capital grant/contributions liabilities - Developer Contributions	314,769	250,000
Other Liabilities from contracts with customers - Revenue	28,238	29,144
	<u>964,271</u>	<u>877,449</u>
<b>Non-current</b>		
Capital grant/contributions liabilities - Developer Contributions	261,660	261,660
	<u>261,660</u>	<u>261,660</u>
<b>Reconciliation of changes in contract liabilities</b>		
Opening balance	598,305	1,921,515
Additions	621,264	583,305
Revenue from contracts with customers included as a contract liability at the start of the period	(598,305)	(1,906,515)
	<u>621,264</u>	<u>598,305</u>
The aggregate amount of the performance obligations unsatisfied (or partially unsatisfied) in relation to these contract liabilities was \$1,597,393 (2022: \$1,047,905)		
The Shire expects to satisfy the performance obligations, from contracts with customers unsatisfied at the end of the reporting period, within the next 12 months.		
<b>Reconciliation of changes in capital grant/contribution liabilities</b>		
Opening balance	511,660	1,301,832
Additions	588,332	0
Revenue from capital grant/contributions held as a liability at the start of the period	(523,563)	(790,172)
	<u>576,429</u>	<u>511,660</u>
<b>Expected satisfaction of capital grant/contribution liabilities</b>		
Less than 1 year	359,604	598,305
1 to 2 years	261,660	0
2 to 3 years	0	0
3 to 4 years	0	0
4 to 5 years	0	0
> 5 years	0	0
	<u>621,264</u>	<u>598,305</u>

Performance obligations in relation to capital grant/contribution liabilities are satisfied as project milestones are met or completion of construction or acquisition of the asset.

**SIGNIFICANT ACCOUNTING POLICIES**

**Contract liabilities**

Contract liabilities represent the Shire's obligation to transfer goods or services to a customer for which the Shire has received consideration from the customer.

Contract liabilities represent obligations which are not yet satisfied. Contract liabilities are recognised as revenue when the performance obligations in the contract are satisfied.

**Capital grant/contribution liabilities**

Capital grant/contribution liabilities represent the Shire's obligations to construct recognisable non-financial assets to identified specifications to be controlled by the Shire which are yet to be satisfied. Capital grant/contribution liabilities are recognised as income when the obligations in the contract are satisfied.

Fair values for non-current capital grant/contribution liabilities, not expected to be extinguished within 12 months, are based on discounted cash flows of expected cashflows to satisfy the obligations using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**14. BORROWINGS**

	Note	2023			2022		
		Current	Non-current	Total	Current	Non-current	Total
<b>Secured</b>		\$	\$	\$	\$	\$	\$
Debentures		456,556	8,299,934	8,756,490	392,533	2,056,490	2,449,023
<b>Total secured borrowings</b>	28(a)	456,556	8,299,934	8,756,490	392,533	2,056,490	2,449,023

**Secured liabilities and assets pledged as security**

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Dardanup.

The Shire of Dardanup has complied with the financial covenants of its borrowing facilities during the 2023 and 2022 years.

**SIGNIFICANT ACCOUNTING POLICIES**

**Borrowing costs**

The Shire has elected to recognise borrowing costs as an expense when incurred regardless of how the borrowings are applied.

Fair values of borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short term nature.

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 25(i)) due to the unobservable inputs, including own credit risk.

**Risk**

Details of individual borrowings required by regulations are provided at Note 28(a).

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**15. EMPLOYEE RELATED PROVISIONS**

**Employee Related Provisions**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
<b>Current provisions</b>		
<b>Employee benefit provisions</b>		
Annual leave	793,334	833,762
Long service leave	830,521	732,123
Other employee leave provisions - rostered days off	40,607	70,184
	<u>1,664,462</u>	<u>1,636,069</u>
<b>Total current employee related provisions</b>	<u>1,664,462</u>	<u>1,636,069</u>
<b>Non-current provisions</b>		
<b>Employee benefit provisions</b>		
Long service leave	242,262	271,516
	<u>242,262</u>	<u>271,516</u>
<b>Total non-current employee related provisions</b>	<u>242,262</u>	<u>271,516</u>
<b>Total employee related provisions</b>	<u>1,906,724</u>	<u>1,907,585</u>

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave and associated on costs for services rendered up to the reporting date and recorded as an expense during the period the services are delivered.

Annual leave liabilities are classified as current, as there is no unconditional right to defer settlement for at least 12 months after the end of the reporting period.

**SIGNIFICANT ACCOUNTING POLICIES**

**Employee benefits**

The Shire's obligations for employees' annual leave, long service leave and other employee leave entitlements are recognised as employee related provisions in the Statement of Financial Position.

**Short-term employee benefits**

Provision is made for the Shire's obligations for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Shire's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position.

**Other long-term employee benefits**

Long-term employee benefits provisions are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The Shire's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Shire does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**16. OTHER PROVISIONS**

	<b>Provision for rehabilitation on leased land (Transfer Station)</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
<b>Opening balance at 1 July 2022</b>		
Current provisions	0	0
Non-current provisions	83,833	83,833
	<hr/> 83,833	<hr/> 83,833
Additional provision	103,077	103,077
<b>Balance at 30 June 2023</b>	<hr/> 186,910	<hr/> 186,910
<b>Comprises</b>		
Non-current	186,910	186,910
	<hr/> 186,910	<hr/> 186,910

**Other provisions**

Amounts which are expected to be paid out within 12 months of the reporting date are classified as current. Exact timing of payment of non-current obligations is unable to be reliably estimated as it is dependent on factors beyond the control of the local government.

**Provisions**

Provisions are recognised when the Shire has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

## (Appendix AAR: 8.1A)

### SHIRE OF DARDANUP NOTES TO AND FORMING PART OF THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

#### 17. REVALUATION SURPLUS

	2023 Opening Balance	2023 Change in Accounting Policy	Total Movement on Revaluation	2023 Closing Balance	2022 Opening Balance	Total Movement on Revaluation	2022 * Closing Balance
	\$	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	5,876,608	0	0	5,876,608	5,876,608	0	5,876,608
Revaluation surplus - Buildings - non-specialised	21,289,894	0	0	21,289,894	21,289,894	0	21,289,894
Revaluation surplus - Furniture and equipment	141,852	0	0	141,852	141,852	0	141,852
Revaluation surplus - Plant and equipment	61,467	0	0	61,467	61,467	0	61,467
Revaluation surplus - Motor vehicles	308,205	0	0	308,205	308,205	0	308,205
Revaluation surplus - Infrastructure - roads	108,194,691	0	0	108,194,691	57,347,459	50,847,232	108,194,691
Revaluation surplus - Other infrastructure - footpaths	12,432,829	0	0	12,432,829	6,425,473	6,007,356	12,432,829
Revaluation surplus - Other infrastructure - drainage	25,129,986	0	0	25,129,986	19,141,929	5,988,057	25,129,986
Revaluation surplus - Other infrastructure - parks and ovals	4,201,118	0	0	4,201,118	2,216,465 *	1,984,653	4,201,118
Revaluation surplus - Other infrastructure - bridges	19,147,884	0	0	19,147,884	19,147,884	0	19,147,884
Revaluation surplus - Other infrastructure - car parks	1,289,053	0	0	1,289,053	0	1,289,053	1,289,053
Revaluation surplus - Other infrastructure - lighting	2,127,985	0	0	2,127,985	0	2,127,985	2,127,985
	200,201,571	0	0	200,201,571	131,957,235	68,244,336	200,201,571

\* Refer to note 31 for correction of prior year error.

**SHIRE OF DARDANUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**18. NOTES TO THE STATEMENT OF CASH FLOWS**

**(a) Reconciliation of Cash**

For the purposes of the Statement of Cash Flows, cash includes cash and cash equivalents, net of outstanding bank overdrafts. Cash at the end of the reporting period is reconciled to the related items in the Statement of Financial Position as follows:

	Note	2023 Actual \$	2022 Actual \$
Cash and cash equivalents	3	29,585,676	15,051,169
<b>Restrictions</b>			
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	3	24,596,016	11,937,561
- Financial assets at amortised cost	4	0	7,114,531
		<u>24,596,016</u>	<u>19,052,092</u>
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	29	24,596,016	19,052,092
<b>Total restricted financial assets</b>		<u>24,596,016</u>	<u>19,052,092</u>

**(b) Reconciliation of Net Result to Net Cash Provided By Operating Activities**

Net result		4,534,179	4,167,187
Non-cash items:			
Adjustments to fair value of financial assets at fair value through profit or loss		(3,686)	(3,997)
Depreciation/amortisation		6,860,300	5,619,217
(Profit)/loss on sale of asset		886,252	37,236
Assets received for substantially less than fair value		(2,486,317)	0
Changes in assets and liabilities:			
(Increase)/decrease in trade and other receivables		545,932	(219,274)
(Increase)/decrease in other assets		(47,863)	(126,503)
(Increase)/decrease in inventories		(24,501)	(2,122)
Increase/(decrease) in trade and other payables		654,845	(910,835)
Increase/(decrease) in employee related provisions		(861)	(31,057)
Increase/(decrease) in other provisions		103,077	0
Increase/(decrease) in other liabilities		86,822	(2,111,528)
Capital grants, subsidies and contributions		(2,948,250)	(5,325,508)
Net cash provided by/(used in) operating activities		<u>8,159,929</u>	<u>1,092,816</u>

**(c) Undrawn Borrowing Facilities**

**Credit Standby Arrangements**

Bank overdraft limit	0	0
Bank overdraft at balance date	0	0
Credit card limit	15,000	15,000
Credit card balance at balance date	0	0
<b>Total amount of credit unused</b>	<u>15,000</u>	<u>15,000</u>

**Loan facilities**

Loan facilities - current	456,556	392,533
Loan facilities - non-current	8,299,934	2,056,490
<b>Total facilities in use at balance date</b>	<u>8,756,490</u>	<u>2,449,023</u>

**Unused loan facilities at balance date** Nil Nil

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**19. RESTRICTIONS OVER FINANCIAL ASSETS**

	Note	2023 Actual \$	2022 Actual \$
The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:			
- Cash and cash equivalents	3	24,596,016	11,937,561
- Financial assets at amortised cost	4	0	7,114,531
		24,596,016	19,052,092
The restricted financial assets are a result of the following specific purposes to which the assets may be used:			
Restricted reserve accounts	29	24,596,016	19,052,092
<b>Total restricted financial assets</b>		24,596,016	19,052,092

**20. UNDRAWN BORROWING FACILITIES AND CREDIT  
STANDBY ARRANGEMENTS**

Bank overdraft limit		0	0
Bank overdraft at balance date		0	0
Credit card limit		15,000	15,000
Credit card balance at balance date		0	0
<b>Total amount of credit unused</b>		15,000	15,000
<b>Loan facilities</b>			
Loan facilities - current		456,556	392,533
Loan facilities - non-current		8,299,934	2,056,490
<b>Total facilities in use at balance date</b>		8,756,490	2,449,023
<b>Unused loan facilities at balance date</b>		Nil	Nil



**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**21. CONTINGENT LIABILITIES**

The Shire does not have any contingent liabilities at year end.

**22. CAPITAL COMMITMENTS**

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Contracted for:		
- capital expenditure projects	1,067,335	115,236
	<hr/> 1,067,335	<hr/> 115,236
Payable:		
- not later than one year	1,067,335	115,236
Administration Building/Library Project	945,828	0
Eaton Oval Clubrooms	121,507	0
Eaton Skate Park	0	6,690
Cadell Park Upgrade	0	21,273
Cadell Park Renewal	0	46,364
Lofthouse Park	0	40,909

**SHIRE OF DARDANUP**  
**NOTES TO AND FORMING PART OF THE FINANCIAL REPORT**  
**FOR THE YEAR ENDED 30 JUNE 2023**

**23. RELATED PARTY TRANSACTIONS**

**(a) Elected Member Remuneration**

Fees, expenses and allowances to be paid or reimbursed to elected council members.

Note	2023 Actual	2023 Budget	2022 Actual
	\$	\$	\$
President's annual allowance	28,411	28,411	27,718
President's meeting attendance fees	19,482	19,482	19,007
President's annual allowance for ICT expenses	2,625	2,625	2,625
President's travel and accommodation expenses	981	500	442
	51,499	51,018	49,792
Deputy President's annual allowance	7,103	7,103	6,929
Deputy President's meeting attendance fees	12,582	12,582	12,275
Deputy President's annual allowance for ICT expenses	2,625	2,625	2,625
Deputy President's travel and accommodation expenses	0	500	0
	22,310	22,810	21,829
All other council member's meeting attendance fees	83,880	88,074	85,925
All other council member's child care expenses	1,565	2,200	1,508
All other council member's All other council member expenses	0	0	98
All other council member's annual allowance for ICT expenses	17,500	18,375	18,375
All other council member's travel and accommodation expenses	0	3,500	1,529
	102,945	112,149	107,435
23(b)	176,754	185,977	179,056

**(b) Key Management Personnel (KMP) Compensation**

The total of compensation paid to KMP of the Shire during the year are as follows:

Note	2023 Actual	2022 Actual
	\$	\$
Short-term employee benefits	1,880,532	1,890,367
Post-employment benefits	225,334	216,624
Employee - other long-term benefits	53,490	46,552
Employee - termination benefits	78,501	147,760
Council member costs	176,754	179,056
23(a)	2,414,611	2,480,359

*Short-term employee benefits*

These amounts include all salary and fringe benefits awarded to KMP except for details in respect to fees and benefits paid to council members which may be separately found in the table above.

*Post-employment benefits*

These amounts are the current-year's cost of the Shire's superannuation contributions made during the year.

*Other long-term benefits*

These amounts represent annual leave and long service leave entitlements accruing during the year.

*Termination benefits*

These amounts represent termination benefits paid to KMP (Note: may or may not be applicable in any given year).

*Council member costs*

These amounts represent payments of member fees, expenses, allowances and reimbursements during the year.

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**23. RELATED PARTY TRANSACTIONS**

**Transactions with related parties**

Transactions between related parties and the Shire are on normal commercial terms and conditions, no more favourable than those available to other parties, unless otherwise stated.

No outstanding balances or provisions for doubtful debts or guarantees exist in relation to related parties at year end.

**Related Parties**

**The Shire's main related parties are as follows:**

*i. Key management personnel*

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any council member, are considered key management personnel and are detailed in Notes 23(a) and 23(b)

*ii. Other Related Parties*

During the previous year, a company controlled by a related party of a council member, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm's length transactions under the Shire's procurement process.

The contract involved roadworks in the Shire, and amounted to \$265,941 in the current year (\$369,871 in the prior year).

Short-term employee benefits related to an associate person of the CEO who was employed by the Shire under normal employment terms and conditions.

Outside of normal citizen type transactions with the Shire, there were no other related party transactions involving key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities.

*iii. Entities subject to significant influence by the Shire*

There were no such entities requiring disclosure during the current or previous year.

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**24. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD**

Events may occur between the end of the reporting period and the date when financial statements are verified by the Council. The Shire is not aware of, or in receipt of, any information or events that may impact or lead to any adjustment in the financial statements after the reporting period.

SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

25. OTHER SIGNIFICANT ACCOUNTING POLICIES

**a) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows.

**b) Current and non-current classification**

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Shire's operational cycle. In the case of liabilities where the Shire does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current or non-current based on the Shire's intentions to release for sale.

**c) Rounding off figures**

All figures shown in this annual financial report, other than a rate in the dollar, are rounded to the nearest dollar. Amounts are presented in Australian Dollars.

**d) Comparative figures**

Where required, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Shire applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements that has a material effect on the statement of financial position, an additional (third) Statement of Financial Position as at the beginning of the preceding period in addition to the minimum comparative financial report is presented.

**e) Budget comparative figures**

Unless otherwise stated, the budget comparative figures shown in this annual financial report relate to the original budget estimate for the relevant item of disclosure.

**f) Superannuation**

The Shire contributes to a number of Superannuation Funds on behalf of employees. All funds to which the Shire contributes are defined contribution plans.

**g) Fair value of assets and liabilities**

Fair value is the price that the Shire would receive to sell the asset or would have to pay to transfer a liability, in an orderly (i.e. enforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

**h) Interest revenue**

Interest revenue is calculated by applying the effective interest rate to the gross carrying amount of a financial asset measured at amortised cost except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

**i) Fair value hierarchy**

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurement into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

**Level 1**

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2**

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3**

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

**Valuation techniques**

The Shire selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Shire are consistent with one or more of the following valuation approaches:

**Market approach**

Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

**Income approach**

Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

**Cost approach**

Valuation techniques that reflect the current replacement cost of the service capacity of an asset.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Shire gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

**j) Impairment of assets**

In accordance with Australian Accounting Standards the Shire's assets, other than inventories, are assessed at each reporting date to determine whether there is any indication they may be impaired.

Where such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount.

Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. AASB 116) whereby any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**26. RATING INFORMATION**

(a) General Rates

RATE TYPE Rate Description	Basis of valuation	Rate in \$	Number of Properties	2022/23		2022/23		2022/23		2022/23		2021/22	
				Actual Rateable Value*	Actual Rate	Actual Interim Rates	Actual Total Revenue	Budget Rate	Budget Interim Rate	Budget Total Revenue	Actual Total Revenue		
General Rates - GRV: Residential	Gross rental valuation	0.103260	4,070	75,068,034	7,751,524	19,423	7,770,947	7,749,725	0	7,749,725	6,407,848		
General Rates - GRV: Commercial	Gross rental valuation	0.103260	61	14,621,022	1,509,767	8,584	1,518,351	1,509,767	0	1,509,767	1,532,641		
General Rates - GRV: Industrial	Gross rental valuation	0.103260	65	8,975,470	926,807	31,960	958,767	926,807	0	926,807	846,957		
General Rates - GRV: Small Holding	Gross rental valuation	0.103260	369	8,638,608	892,023	12,616	904,639	892,023	111,668	1,003,691	832,014		
General Rates - UV: Broad Acre Rur	Unimproved valuation	0.006362	491	277,244,500	1,763,829	(8,631)	1,755,198	1,763,581	0	1,763,581	1,684,001		
General Rates - UV: Mining	Unimproved valuation	0.006362	0	0	0	0	0	0	0	0	0		
<b>Total general rates</b>			5,056	384,547,634	12,843,950	63,952	12,907,902	12,841,903	111,668	12,953,571	11,303,461		
<b>Minimum payment</b>													
General Rates - GRV: Residential	Gross rental valuation	1,547.50	833	9,969,546	1,289,068	44,340	1,333,408	1,290,615	0	1,290,615	2,229,027		
General Rates - GRV: Commercial	Gross rental valuation	1,547.50	9	67,360	13,928	0	13,928	13,927	0	13,927	13,928		
General Rates - GRV: Industrial	Gross rental valuation	1,547.50	49	505,650	75,827	127	75,954	75,828	0	75,828	68,090		
General Rates - GRV: Small Holding	Gross rental valuation	1,547.50	65	531,830	100,587	33,877	134,464	100,588	0	100,588	137,854		
General Rates - UV: Broad Acre Rur	Unimproved valuation	1,547.50	130	19,723,300	167,130	5,024	172,154	201,175	0	201,175	212,445		
General Rates - UV: Mining	Unimproved valuation	1,547.50	18	253,357	61,900	(2,353)	59,547	27,855	0	27,855	27,508		
<b>Total minimum payments</b>			1,104	31,051,043	1,708,440	81,015	1,789,455	1,709,988	0	1,709,988	2,688,852		
<b>Total general rates and minimum payments</b>			6,160	415,598,677	14,552,390	144,967	14,697,357	14,551,891	111,668	14,663,559	13,992,313		
<b>Specified Area Rates</b>													
Bulk Waste Collection	Gross rental valuation	0.00132	4,720	83,442,010	109,769	464	110,233	109,726	0	109,726	102,893		
Eaton Landscaping	Gross rental valuation	0.00293	4,461	90,508,822	264,837	1,620	266,457	264,740	0	264,740	251,632		
<b>Total amount raised from rates (excluding general rates)</b>			9,181	173,950,832	374,606	2,084	376,690	374,466	0	374,466	354,525		
Discounts / Waiver Concessions							(2,204)			(4,000)	(1,127)		
<b>Total Rates</b>							(34,514)			(12,062)	(37,177)		
Rate instalment interest							15,037,329			15,021,963	14,307,664		
Rate overdue interest							65,185			65,986	48,544		
							51,014			49,000	61,874		

The rate revenue was recognised from the rate record as soon as practicable after the Shire resolved to impose rates in the financial year as well as when the rate record was amended to ensure the information in the record was current and correct.

\*Rateable Value at time of raising of rate.

SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

27. DETERMINATION OF SURPLUS OR DEFICIT

Note	2022/23	2022/23	2022/23	2021/22
	(30 June 2023 Carried Forward)	Budget (30 June 2023 Carried Forward)	(1 July 2022 Brought Forward)	(30 June 2022 Carried Forward)
	\$	\$	\$	\$
<b>(a) Non-cash amounts excluded from operating activities</b>				
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
<b>Adjustments to operating activities</b>				
	Less: Profit on asset disposals	(59,645)	(2,942,186)	(36,297)
	Less: Movement in liabilities associated with restricted cash	(72,665)	229,448	0
	Less: Fair value adjustments to financial assets at fair value through profit or loss	(3,686)	0	(3,997)
	Add: Loss on disposal of assets	945,897	0	73,533
	Add: Depreciation	6,860,300	6,017,969	5,619,217
Non-cash movements in non-current assets and liabilities:				
	Financial assets at amortised cost	0	0	0
	Pensioner deferred rates	3,828	0	(9,034)
	Assets held for sale	0	0	0
7	Employee benefit provisions	(29,254)	0	26,586
	Other provisions	103,077	0	0
	<b>Non-cash amounts excluded from operating activities</b>	<b>7,747,852</b>	<b>3,305,231</b>	<b>5,670,008</b>
<b>(b) Non-cash amounts excluded from investing activities</b>				
The following non-cash revenue or expenditure has been excluded from amounts attributable to investing activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .				
<b>Adjustments to investing activities</b>				
	Movement in non-current capital grant/contribution liability	0	2,350	(15,000)
	Movement in non-current capital grant/contribution liability - developer contributions	0	0	(501,763)
	Movement in non-current capital expenditure provisions	(43)	0	(428)
	Movement in current unspent non-operating grants associated with restricted cash	(516,334)	(235,798)	(1,308,211)
	Movement in current unspent non-operating developer contributions associated with restricted cash	55,464	0	(288,409)
	<b>Non-cash amounts excluded from investing activities</b>	<b>(460,913)</b>	<b>(233,448)</b>	<b>(2,113,811)</b>
<b>(c) Surplus or deficit after imposition of general rates</b>				
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.				
<b>Adjustments to net current assets</b>				
29	Less: Reserve accounts	(24,596,016)	(12,603,415)	(19,052,092)
	Less: Current assets not expected to be received at end of year			
	- Contract liabilities from contracts with customers - revenue	0	18,202	0
	Add: Current liabilities not expected to be cleared at end of year			
	- Current portion of borrowings	456,556	558,682	392,533
14	- Current portion of unspent non-operating grants held in reserve - grants	0	745,470	598,305
	- Current portion of contract liability held in reserve - developer contributions	314,769	0	250,000
	- Current portion of lease liabilities	141,270	238,834	194,754
11(b)	- Adjustment to current portion of lease liabilities	(135)	0	(133)
	<b>Total adjustments to net current assets</b>	<b>(23,683,556)</b>	<b>(11,042,227)</b>	<b>(17,616,633)</b>
<b>Net current assets used in the Statement of Financial Activity</b>				
	Total current assets	30,674,217	17,223,278	23,724,022
	Less: Total current liabilities	(6,712,594)	(6,043,884)	(5,931,995)
	Less: Total adjustments to net current assets	(23,683,556)	(11,042,227)	(17,616,633)
	<b>Surplus or deficit after imposition of general rates</b>	<b>278,067</b>	<b>137,167</b>	<b>175,393</b>
<b>(d) Determination of surplus or deficit</b>				
The end of year surplus for the Shire is reported at \$278,067 against an adopted budgeted surplus of \$137,167 for the 2022/23 financial year. The surplus can be attributed to underspent expenditure and / or higher than budgeted revenue.				

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**28. BORROWING AND LEASE LIABILITIES**

(a) Borrowings

Purpose	Note	Actual				Budget			
		Principal at 1 July 2021	New Loans During 2021-22	Principal Repayments During 2021-22	Principal at 30 June 2022	Principal at 1 July 2022	New Loans During 2022-23	Principal Repayments During 2022-23	Principal at 30 June 2023
<b>Community amenities</b>									
Plan/Waterloo Ind Park - Loan 70		750,000	0	(70,249)	679,751	0	(71,265)	608,486	685,557
Waste Bins (3 Bin System) - Loan 71		0	320,000	0	320,000	0	(43,150)	276,850	320,000
<b>Recreation and culture</b>									
Eaton Recreation Centre - Loan 59		192,573	0	(93,455)	99,118	0	(99,118)	0	99,117
Glen Huon Oval Club Rooms - Loan 69		924,296	0	(42,771)	881,525	0	(44,429)	837,096	881,525
Eaton Oval Club Rooms - Loan 72		0	0	0	0	700,000	0	700,000	0
<b>Transport</b>									
Depot Land - Loan 66		444,476	0	(61,038)	383,438	0	(63,548)	319,890	383,437
<b>Economic services</b>									
Gravel Pit Land - Panizza Road - Loan 61		66,648	0	(25,428)	41,220	0	(27,052)	14,168	41,220
<b>Other property and services</b>									
Administration Building Extensions - Loan 65		85,007	0	(41,036)	43,971	0	(43,971)	0	43,972
Eaton Administration/Library Building - Loan 73		0	0	0	0	6,000,000	0	6,000,000	0
<b>Total</b>		<b>2,463,000</b>	<b>320,000</b>	<b>(333,977)</b>	<b>2,449,023</b>	<b>6,700,000</b>	<b>(392,533)</b>	<b>8,756,490</b>	<b>2,454,828</b>

**Borrowing Finance Cost Payments**

Purpose	Loan Number	Note	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023
<b>Community amenities</b>							
Plan/Waterloo Ind Park - Loan 70	70		WATC	1.44%	1/06/2031	(14,045)	(26,738)
Waste Bins (3 Bin System) - Loan 71	71		WATC	1.91%	4/02/2029	(7,614)	(7,821)
<b>Recreation and culture</b>							
Eaton Recreation Centre - Loan 59	59		WATC	5.87%	4/04/2023	(3,342)	(4,741)
Glen Huon Oval Club Rooms - Loan 69	69		WATC	3.84%	9/01/2037	(38,559)	(39,375)
Eaton Oval Club Rooms - Loan 72	72		WATC	4.66%	30/01/2043	(15,726)	(14,133)
<b>Transport</b>							
Depot Land - Loan 66	66		WATC	4.07%	1/08/2027	(16,439)	(17,510)
<b>Economic services</b>							
Gravel Pit Land - Panizza Road - Loan 61	61		WATC	6.19%	29/10/2023	(2,062)	(2,350)
<b>Other property and services</b>							
Administration Building Extensions - Loan 65	65		WATC	7.03%	28/03/2023	(1,844)	(2,650)
Eaton Administration/Library Building - Loan 73	73		WATC	4.45%	3/04/2043	(74,661)	(84,800)
<b>Total</b>						<b>(174,292)</b>	<b>(200,118)</b>

**Total Finance Cost Payments**

\* WA Treasury Corporation



SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

28. BORROWING AND LEASE LIABILITIES (Continued)

(b) New Borrowings - 2022/23

Particulars/Purpose	Institution	Loan Type	Term Years	Interest Rate %	Amount Borrowed		Amount (Used)		Total Interest & Charges \$	Actual Balance Unspent \$
					2023 Actual	2023 Budget	2023 Actual	2023 Budget		
Eaton Oval Club Rooms - Loan 72	WATC	Debenture	20	4.66%	700,000	1,000,000	(180,470)	(1,000,000)	441,046	519,530
Eaton Administration/Library Building - Loan 73	WATC	Debenture	20	4.42%	6,000,000	6,000,000	(5,875,800)	(6,000,000)	3,587,311	124,200
					6,700,000	7,000,000	(6,056,270)	(7,000,000)	4,028,357	643,730

\* WA Treasury Corporation

(c) Unspent Borrowings

Particulars	Institution	Date Borrowed	Unspent Balance 1 July 2022 \$	Borrowed During Year	Expended During Year	Unspent Balance 30 June 2023 \$
Eaton Oval Club Rooms - Loan 72		30/01/2023	0	700,000	(180,470)	519,530
Eaton Administration/Library Building - Loan 73		3/04/2023	0	6,000,000	(5,875,800)	124,200
			716,539	6,700,000	(6,202,227)	1,214,312

\* WA Treasury Corporation

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**28. BORROWING AND LEASE LIABILITIES (Continued)**

(d) Lease Liabilities

Purpose	Note	Actual						Budget				
		Principal at 1 July 2021	New Leases During 2021-22	Principal Repayments During 2021-22	Adjustment to Lease During 2021-22	Principal at 30 June 2022	New Leases During 2022-23	Principal Repayments During 2022-23	Adjustment to Lease During 2022-23	Principal at 30 June 2023		
<b>Law, order, public safety</b>												
Vehicle Lease 17		6,087	0	(1,532)	(4,555)	0	0	0	0	0	0	
<b>Community amenities</b>												
Land Lease 2		50,658	0	(10,418)	1,390	41,630	0	(11,020)	1,250	31,860	27,652	
<b>Recreation and culture</b>												
Cardio Fitness Equipment Lease 18		161,272	0	(44,197)	21,446	138,521	0	(45,169)	0	93,352	67,704	
<b>Other property and services</b>												
Transportable Building Lease 1 / 26		40,012	113,799	(27,656)	(32,602)	93,553	0	(37,504)	(27,430)	28,619	52,484	
IT Equipment Lease 3		1,444	0	(1,444)	0	0	0	0	0	0	1	
IT Equipment Lease 4		16,003	0	(7,591)	0	8,412	0	(7,758)	0	654	705	
IT Equipment Lease 5		902	0	(7,337)	6,435	0	0	0	0	0	0	
IT Equipment Lease 6		1,032	0	(283)	(749)	0	0	0	0	1,032	0	
IT Equipment Lease 7		57,637	0	(28,519)	0	29,118	0	(29,118)	0	29,118	259	
IT Equipment Lease 19		30,510	0	(6,513)	0	23,997	0	(6,663)	0	23,997	17,000	
IT Equipment Lease 20		14,616	0	(5,219)	0	9,397	0	(5,328)	0	9,397	4,033	
IT Equipment Lease 21		16,949	0	(4,419)	(1,091)	11,439	0	(4,508)	0	6,931	7,915	
IT Equipment Lease 22		58,763	0	(15,246)	0	43,517	0	(15,351)	0	27,966	27,493	
IT Equipment Lease 23		16,612	0	(4,310)	0	12,302	0	(4,396)	0	7,906	7,780	
IT Equipment Lease 25		67,214	0	(24,019)	0	43,195	0	(24,499)	0	18,696	18,551	
Photocopiers - Lease 24		0	0	0	0	0	0	0	0	0	18,782	
New IT Lease - Hardware - Lease 27		0	0	0	0	0	0	0	0	0	18,782	
New IT Lease - Software - Lease 28		0	0	0	0	0	0	0	0	0	34,800	
<b>Total Lease Liabilities</b>	11(b)	539,711	113,799	(188,703)	(9,726)	455,081	0	(191,514)	(26,180)	237,387	448,825	
												69,000
												121,200
												(238,894)
												332,191

**(Appendix AAR: 8.1A)**

SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

(d) BORROWING AND LEASE LIABILITIES (Continued)

28. Lease Liabilities (Continued)

Purpose	Note	Lease Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023 \$	Budget for year ending 30 June 2023 \$	Actual for year ending 30 June 2022 \$	Lease Term
<b>Lease Finance Cost Payments</b>									
<b>Law, order, public safety</b>									
Vehicle Lease 17		17	Vehicle Leasing	2.00%	31/10/2021	0	0	(6)	24 months
<b>Community amenities</b>									
Land Lease 2		2	Simple Leasing	2.00%	16/04/2026	(1,010)	(239)	(1,262)	120 months
<b>Recreation and culture</b>									
Cardio Fitness Equipment Lease 18		18	Simple Leasing	2.20%	30/06/2025	(2,570)	(955)	(3,542)	60 months
<b>Other property and services</b>									
Transportable Building Lease 1 / 26		1 / 26	Simple Leasing		31/03/2024	(973)	(843)	(1,083)	27 months
IT Equipment Lease 3		3	Simple Leasing	2.20%	26/08/2021	0	0	(4)	60 months
IT Equipment Lease 4		4	Simple Leasing	2.20%	20/07/2023	(107)	(157)	(274)	60 months
IT Equipment Lease 5		5	Simple Leasing	2.10%	1/08/2021	0	0	(13)	36 months
IT Equipment Lease 6		6	Simple Leasing	2.10%	1/10/2021	0	0	0	36 months
IT Equipment Lease 7		7	Simple Leasing	2.10%	30/06/2023	(330)	(589)	(929)	48 months
IT Equipment Lease 19		19	Simple Leasing	2.30%	30/12/2025	(477)	(143)	(627)	72 months
IT Equipment Lease 20		20	Simple Leasing	2.10%	31/03/2024	(145)	(110)	(255)	48 months
IT Equipment Lease 21		21	Simple Leasing	2.00%	1/04/2025	(186)	(94)	(275)	48 months
IT Equipment Lease 22		22	Simple Leasing	2.00%	1/04/2025	(722)	(325)	(1,027)	48 months
IT Equipment Lease 23		23	Simple Leasing	2.00%	1/04/2025	(204)	(92)	(230)	48 months
IT Equipment Lease 25		25	Simple Leasing	2.00%	1/04/2024	(636)	(503)	(1,116)	36 months
Photocopiers - Lease 24		24	N/A	N/A	N/A	0	0	0	N/A
New IT Lease - Hardware - Lease 27		27	N/A	N/A	N/A	0	(348)	0	N/A
New IT Lease - Software - Lease 28		28	N/A	N/A	N/A	0	(460)	0	N/A
<b>Total Finance Cost Payments</b>						<b>(7,360)</b>	<b>(4,858)</b>	<b>(10,703)</b>	

SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

29. RESERVE ACCOUNTS

	2023 Actual Opening Balance	2023 Actual Transfer to	2023 Actual Transfer (from)	2023 Actual Closing Balance	2023 Budget Opening Balance	2023 Budget Transfer to	2023 Budget Transfer (from)	2023 Budget Closing Balance	2022 Actual Opening Balance	2022 Actual Transfer to	2022 Actual Transfer (from)	2022 Actual Closing Balance
<b>Restricted by legislation/agreement</b>												
(a) Eaton Public Open Space Reserve	0	0	0	0	0	0	0	0	0	0	0	0
(b) Dardanup Public Open Space Reserve	0	0	0	0	0	0	0	0	0	0	0	0
(c) Burekup Public Open Space Reserve	72,651	931	0	73,582	72,500	394	0	72,894	72,500	151	0	72,651
(d) Eaton Drive - Access Construction Reserve	0	144,008	0	144,008	0	0	0	0	0	0	0	0
(e) Eaton Drive - Scheme Construction Reserve	0	248,625	0	248,625	0	0	0	0	11,332	0	(11,332)	0
(f) Collier River (Eaton Drive) Bridge Construction Reserve	514,376	192,983	(523,563)	183,796	432,533	2,350	(250,000)	184,883	1,290,500	2,716	(778,840)	514,376
(g) Unspent Specified Area Rate - Bulk Waste Collection Reserve	89,662	1,149	(17,426)	73,385	87,768	477	0	88,245	87,647	2,015	0	89,662
(h) Unspent Specified Area Rate - Eaton Landscaping Reserve	239,565	104,786	0	344,351	232,453	101,263	0	333,716	140,766	98,799	0	239,565
(i) Dardanup Expansion Developer Contribution Plan Reserve	0	0	0	0	375	2	0	377	41,328	86	(41,414)	0
	916,254	692,482	(540,989)	1,067,747	825,629	104,486	(250,000)	680,115	1,644,073	103,767	(831,586)	916,254
<b>Restricted by council</b>												
(j) Employee Relief Reserve	265,626	8,402	0	274,028	181,734	5,988	(5,000)	182,722	265,073	553	0	265,626
(k) Information Technology Reserve	699,457	408,959	(407,331)	701,085	563,651	403,063	(495,810)	470,904	687,852	401,394	(369,789)	699,457
(l) Road Safety Programs Reserve	26,779	343	0	27,122	26,763	145	0	26,908	26,723	96	0	26,779
(m) Tourism Reserve	11,777	151	0	11,928	11,770	64	0	11,834	11,753	24	0	11,777
(n) Executive & Compliance Vehicle Reserve	223,903	145,141	0	369,044	196,807	96,069	0	292,876	202,280	56,331	(34,708)	223,903
(o) Employee Leave Entitlements Reserve	48,756	1,124	0	49,880	48,734	765	0	49,499	37,706	11,050	0	48,756
(p) Reuse Site Environmental Works Reserve	84,255	104,156	0	188,411	84,206	458	0	84,664	84,080	175	0	84,255
(q) Recycling Education Reserve	44,211	10,566	0	54,777	21,504	10,117	(11,385)	20,236	39,130	5,081	0	44,211
(r) Eaton Recreation Centre - Equipment Reserve	303,650	83,889	(60,513)	327,026	303,533	81,649	(47,739)	337,443	276,753	80,578	(53,681)	303,650
(s) Council Land Development Reserve	22,681	10,291	0	32,972	17,666	10,096	(5,000)	22,762	22,634	47	0	22,681
(t) Sale of Land Reserve	2,341,667	29,995	(1,000,000)	1,371,662	2,331,478	12,668	(1,000,000)	1,344,146	4,579,909	9,558	(2,247,800)	2,341,667
(u) Accrued Salaries Reserve	500,668	11,413	0	512,081	500,376	7,719	(5,000)	503,095	499,626	1,043	0	500,668
(v) Carried Forward Projects Reserve	3,235,514	441,702	(1,244,588)	2,432,628	2,016,125	307,484	(2,026,415)	297,194	3,532,649	1,796,345	(2,063,480)	3,235,514
(w) Strategic Planning Studies Reserve	109,508	6,403	(7,500)	108,411	90,439	5,492	(7,500)	88,431	116,764	5,244	(12,500)	109,508
(x) Town Planning Consultancy Reserve	28,072	10,360	(7,000)	31,432	28,050	10,152	(20,000)	18,202	37,993	20,079	(30,000)	28,072
(y) Parks & Reserves Upgrades Reserve	145,854	201,868	(189,936)	157,786	132,423	200,720	(250,000)	83,143	608,348	41,269	(603,763)	145,854
(z) Election Expenses Reserve	11,651	25,149	0	36,800	11,632	25,063	0	36,695	32,038	25,067	(45,454)	11,651
(aa) Pathways Reserve	174,198	102,231	(77,216)	199,213	141,222	100,767	(83,000)	158,989	308,066	643	(134,511)	174,198
(ab) Asset / Rates Revaluation Reserve	184,811	72,367	(38,147)	219,031	159,258	70,865	(25,602)	204,521	284,307	95,594	(195,090)	184,811
(ac) Reuse & Recycling Bin Replacement Reserve	59,920	5,767	0	65,687	4,888	5,027	0	9,915	54,805	5,115	0	59,920
(ad) Storm Water Reserve	183,642	27,352	(57,037)	153,957	183,550	25,997	(104,726)	104,821	158,312	25,330	0	183,642
(ae) Fire Control Reserve	11,594	148	0	11,742	11,587	63	0	11,650	11,569	25	0	11,594
(af) Contribution to Works Reserve	921,807	26,707	(13,374)	935,140	921,239	5,006	0	926,245	756,143	165,664	0	921,807
(ag) Unspent Grants Reserve	2,837,639	1,704,413	(2,425,390)	2,116,662	2,423,819	764,505	(1,463,474)	1,724,850	3,161,706	3,324,519	(3,648,586)	2,837,639
(ah) Swimming Pool Inspection Reserve	4,511	58	0	4,569	4,508	24	0	4,532	4,501	9	0	4,509
(ai) Plant & Engineering Equipment Reserve	585,646	133,502	(57,860)	661,288	515,793	128,803	(55,000)	589,596	871,487	104,568	(390,409)	585,647
(aj) Road Construction and Major Maintenance Reserve	801,284	910,264	(372,848)	1,338,700	626,933	903,407	(713,470)	816,870	1,133,128	795,365	(1,127,209)	801,284
(ak) Building Maintenance Reserve	3,550,218	6,645,475	(274,798)	9,920,895	3,051,923	6,969,417	(6,716,291)	3,305,049	1,659,484	4,093,263	(2,202,529)	3,550,218
(al) Wanju Developer Contribution Plan - Unspent Loan Reserve	716,539	0	(716,539)	0	441,111	184,397	(430,000)	195,508	750,000	1,565	(35,026)	716,539
(am) Car Park Reserve	0	0	0	0	0	0	0	0	0	0	0	0
(an) Lighting Reserve	0	1,214,312	0	1,214,312	0	0	0	0	0	0	0	0
(ao) Unspent Loan Reserve	18,135,838	12,342,508	(6,950,077)	23,528,269	15,052,722	10,335,990	(13,465,412)	11,923,300	20,194,819	11,066,554	(13,124,535)	18,135,838
	19,052,092	13,034,990	(7,491,066)	24,596,016	15,878,351	10,440,476	(13,715,412)	12,603,415	21,838,892	11,169,321	(13,956,121)	19,052,092

All reserves are supported by cash and cash equivalents and financial assets at amortised cost and are restricted within equity as Reserve accounts.

SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023

29. RESERVE ACCOUNTS (Continued)

In accordance with council resolutions or adopted budget in relation to each reserve account, the purpose for which the reserves are set aside and their anticipated date of use are as follows:

Name of reserve account	Purpose of the reserve account
<b>Restricted by legislation/agreement</b>	
(a) Eaton Public Open Space Reserve	Established to account for cash-in-lieu of Public Open Space contributions in Eaton in accordance with the Planning and Development Act 1995.
(b) Dardanup Public Open Space Reserve	Established to account for cash-in-lieu of Public Open Space contributions in Dardanup in accordance with the Planning and Development Act 1995.
(c) Burekup Public Open Space Reserve	Established to account for cash-in-lieu of Public Open Space contributions in Burekup in accordance with the Planning and Development Act 1995.
(d) Eaton Drive - Access Construction Reserve	Established for the construction of Eaton Drive Access Road from developer contributions.
(e) Eaton Drive - Scheme Construction Reserve	Established for the future construction of Eaton Drive from developer contributions.
(f) Collier River (Eaton Drive) Bridge Construction Reserve	Established for the future construction of a bridge over the Collier River and extend Eaton Drive.
(g) Unspent Specified Area Rate - Bulk Waste Collection Reserve	Established to hold unspent specified area rates for bulk waste collection.
(h) Unspent Specified Area Rate - Eaton Landscaping Reserve	Established to hold unspent specified area rates for Eaton landscaping.
(i) Dardanup Expansion Developer Contribution Plan Reserve	Established to hold funds for the design and construction of community facilities in Dardanup associated with the implementation of DCA2 – Dardanup Expansion Area Developer Contribution Plan.
<b>Restricted by council</b>	
(j) Employee Relief Reserve	To provide funds for employee related entitlements and relief staff for prolonged employee leave.
(k) Information Technology Reserve	Established for the acquisition or lease of software and computer equipment.
(l) Road Safety Programs Reserve	Established to hold contributions from road transport permits which are to be used for general road safety programs in the Shire.
(m) Tourism Reserve	Established to fund the development of tourism projects including the implementation of works associated with the Gnomesville Master Plan.
(n) Executive & Compliance Vehicle Reserve	To fund the purchase, replacement or lease of Councils executive and compliance vehicles.
(o) Employee Leave Entitlements Reserve	To provide funds for employee purchased leave entitlements under Policy.
(p) Refuse Site Environmental Works Reserve	Established to provide funds for environmental works at the Bankisia Road Refuse Site.
(q) Recycling Education Reserve	Unspent recycling education funds for use in special education programs and as a contribution toward the shared Waste Education Officer's salary.
(r) Eaton Recreation Centre - Equipment Reserve	Established for the acquisition, replacement or lease of furniture, fittings, plant or gym equipment at the Eaton Recreation Centre.
(s) Council Land Development Reserve	Established for funding the acquisition or development of Council land for resale.
(t) Sale of Land Reserve	Established to hold funds from the sale of Council land.
(u) Accrued Salaries Reserve	This fund consists of cash backed salaries and wages allocation paid annually into this reserve over a period of 10 financial years to meet the additional cash flow in each eleventh year when 274 pay periods occur (all other years have 26 pay periods).
(v) Carried Forward Projects Reserve	Established to hold unspent project funds to be carried forward into future financial years. Project funds that are not expended within 2 financial years of their initial allocation to this reserve are to be reallocated to the Municipal Fund.
(w) Strategic Planning Studies Reserve	Established for funding strategic studies.
(x) Town Planning Consultancy Reserve	Established to fund the engagement of consultants to undertake Town Planning Studies.
(y) Parks & Reserves Upgrades Reserve	Established to fund the development of Parks and Reserves.
(z) Election Expenses Reserve	Established to fund Council elections.
(aa) Pathways Reserve	Established to provide funds for the creation, upgrade and renewal of the Shire's pathway infrastructure.
(ab) Asset / Rates Revaluation Reserve	Established to provide funds for asset and rating revaluations.
(ac) Refuse & Recycling Bin Replacement Reserve	Established to provide funds for replacement of refuse and recycling bins.
(ad) Storm Water Reserve	Established to ensure preservation of Council's transport storm water infrastructure network independent of grants and contributions.
(ae) Fire Control Reserve	For the purchase, construction and development of fire fighting equipment and buildings.
(af) Contribution to Works Reserve	Established to account for contributions and donations received from external sources.
(ag) Unspent Grants Reserve	Established to identify unexpended grants and special projects funding.
(ah) Swimming Pool Inspection Reserve	Established to account for unspent Swimming Pool Inspection Levy.
(ai) Plant & Engineering Equipment Reserve	To fund the purchase, replacement or lease of Council's heavy plant and engineering equipment.
(aj) Road Construction and Major Maintenance Reserve	Established to provide funds for the upgrade and renewal of the Council's transport infrastructure.
(ak) Building Maintenance Reserve	For the purchase, construction and maintenance of Council buildings.
(al) Wanjui Developer Contribution Plan - Unspent Loan Reserve	Established to hold unspent loan funds raised for the Wanjui Developer Contribution Plan planning and development costs.
(am) Car Park Reserve	Established to provide funds for the upgrade and renewal of the Council's car parking infrastructure.
(an) Lighting Reserve	Established to provide funds for the upgrade and renewal of the Council's lighting infrastructure.
(ao) Unspent Loan Reserve	Established to hold unspent loan funds.

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**30. TRUST FUNDS**

Funds held at balance date which are required to be held in trust and which are not included in the financial statements are as follows:

	<b>1 July 2022</b>	<b>Amounts Received</b>	<b>Amounts Paid</b>	<b>30 June 2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Eaton POS	153,248	3,751	(15,814)	141,185
Dardanup POS	97,574	2,388	0	99,962
Burekup POS	276,774	6,774	0	283,548
Trust Funds for Land Transaction	40,003	979	0	40,982
Auspicing Grant	25,000	612	0	25,612
	<b>592,599</b>	<b>14,504</b>	<b>(15,814)</b>	<b>591,289</b>

**SHIRE OF DARDANUP  
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2023**

**31. CORRECTION OF ERRORS**

The correction of errors relates to the Parks and Ovals Infrastructure Asset Revaluation effective 30 June 2022 that was overstated by \$5,487,088. The overstatement was due to a universal unit rate applied to the fencing components within the 2021/22 Asset Revaluation. Management identified and corrected the error which resulted in a \$5,487,088 decrement to the Parks and Ovals Asset Valuation adjusted against the Revaluation Surplus. Management undertook a full review of the 2021/22 Infrastructure Asset Revaluation in the 2022/23 financial year, and Management is of the opinion that this error was an anomaly within the process, and no other errors exist.

<b>Statement of Financial Position (Extract)</b>	<b>30 June 2022</b>	<b>Increase/ (Decrease)</b>	<b>30 June 2022 (Restated)</b>
	\$	\$	\$
Infrastructure	222,583,638	(5,487,088)	217,096,550
Net assets	222,583,638	(5,487,088)	217,096,550
Revaluation surplus	205,688,659	(5,487,088)	200,201,571
Total equity	283,435,015	(5,487,088)	277,947,927

	<b>30 June 2022</b>	<b>Increase/ (Decrease)</b>	<b>30 June 2022 (Restated)</b>
	\$	\$	\$
<b>Other comprehensive income for the period</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in asset revaluation surplus	73,731,424	(5,487,088)	68,244,336
<b>Total other comprehensive income for the period</b>	<b>73,731,424</b>	<b>(5,487,088)</b>	<b>68,244,336</b>
<b>Total comprehensive income for the period</b>	<b>73,731,424</b>	<b>(5,487,088)</b>	<b>68,244,336</b>



# Auditor General

## INDEPENDENT AUDITOR'S REPORT 2023 Shire of Dardanup

To the Council of the Shire of Dardanup

### Opinion

I have audited the financial report of the Shire of Dardanup (Shire) which comprises:

- the Statement of Financial Position as at 30 June 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Statement of Financial Activity for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion, the financial report is:

- based on proper accounts and records
- presents fairly, in all material respects, the results of the operations of the Shire for the year ended 30 June 2023 and its financial position at the end of that period
- in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

### Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section below.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of Matter – Restatement of comparative balances

I draw attention to Note 31 to the financial report which states that the amounts reported in the previously issued 30 June 2022 financial report have been restated and disclosed as comparatives in this financial report. My opinion is not modified in respect of this matter.

### Other information

The Chief Executive Officer (CEO) is responsible for the preparation and the Council for overseeing the other information. The other information is the information in the entity's annual report for the year ended 30 June 2023, but not the financial report and my auditor's report.

My opinion on the financial report does not cover the other information and accordingly, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or my knowledge obtained in the audit or otherwise appears to be materially misstated.



## (Appendix AAR: 8.1A)

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I did not receive the other information prior to the date of this auditor's report. When I do receive it, I will read it and if I conclude that there is a material misstatement in this information, I am required to communicate the matter to the CEO and Council and request them to correct the misstated information. If the misstated information is not corrected, I may need to retract this auditor's report and re-issue an amended report.

### Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer (CEO) of the Shire is responsible for:

- keeping proper accounts and records
- preparation and fair presentation of the financial report in accordance with the requirements of the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards
- managing internal control as required by the CEO to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for:

- assessing the Shire's ability to continue as a going concern
- disclosing, as applicable, matters related to going concern
- using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the Shire.

The Council is responsible for overseeing the Shire's financial reporting process.

### Auditor's responsibilities for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at [https://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

### My independence and quality management relating to the report on the financial report

I have complied with the independence requirements of the *Auditor General Act 2006* and the relevant ethical requirements relating to assurance engagements. In accordance with ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*, the Office of the Auditor General maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Matters relating to the electronic publication of the audited financial report**

This auditor's report relates to the financial report of the Shire of Dardanup for the year ended 30 June 2023 included in the annual report on the Shire's website. The Shire's management is responsible for the integrity of the Shire's website. This audit does not provide assurance on the integrity of the Shire's website. The auditor's report refers only to the financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from the annual report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to contact the Shire to confirm the information contained in the website version.



Patrick Arulsingham  
Senior Director Financial Audit  
Delegate of the Auditor General for Western Australia  
Perth, Western Australia  
22 November 2023

## RISK ASSESSMENT TOOL

**OVERALL RISK EVENT:** 2022/23 Annual Financial Report

**RISK THEME PROFILE:**

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

Choose an item.

Choose an item.

Choose an item.

**RISK ASSESSMENT CONTEXT:** Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
<b>HEALTH</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>FINANCIAL IMPACT</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>SERVICE INTERRUPTION</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>LEGAL AND COMPLIANCE</b>	Risk of Council breaching the Local Government Act 1995 – Risk that the audited 2022/23 Annual Financial Report is not received by Council.	Minor (2)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
<b>REPUTATIONAL</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>ENVIRONMENT</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>PROPERTY</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

15 February 2021

Mr A Schonfeldt  
Chief Executive Officer  
Shire of Dardanup  
PO Box 7016  
EATON WA 6232

Dear Andre

**2020 REGULATION 17 REVIEW**

We are pleased to present the findings and recommendations resulting from the Shire of Dardanup (“the Shire”) 2017 Regulation 17 Review.

This report relates only to procedures and items specified within the QUO- F0172278 Local Government (Audit) Regulation 17 Review for the period ended 31 December 2020.

We would like to thank Phil, Natalie, Cindy and the Shire of Dardanup team for their co-operation and assistance whilst conducting our review.

Should there be matters outlined in our report requiring clarification or any other matters relating to our review, please do not hesitate to contact me.

Yours sincerely

**AMD Chartered Accountants**



**TIM PARTRIDGE FCA**  
**Director**



# Regulation 17 Review



## Table of Contents

- 1. Executive Summary ..... 6
- 1.1. Background and Objectives..... 6
- 1.2. Summary of Findings..... 6
- 2. Risk management..... 8
- 2.1. Scope and approach..... 8
- 2.2. Detailed findings and recommendations ..... 9
- 2.2.1 Outdated Policies and Handbook..... 9
- 2.2.2 Code of Conduct..... 9
- 2.2.3 Framework, Plan and Procedures in Review..... 10
- 3. Internal controls ..... 11
- 3.1. Scope and approach..... 11
- 3.2. Detailed findings and recommendations ..... 11
- 3.2.1 Contract Management Framework..... 11
- 3.2.2 Post Tender Review..... 12
- 4. Legislative compliance ..... 13
- 4.1. Scope and approach..... 13
- 4.2. Detailed findings and recommendations ..... 13
- 4.2.1 Complaints Register ..... 13
- 5. Guidance on Risk Assessment ..... 14

### **Inherent limitations**

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to review, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, the Shire of Dardanup management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted with the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed with Shire of Dardanup. The review findings expressed in this report have been formed on the above basis.

### **Third party reliance**

This report was prepared solely for the purpose set out in this report and for the internal use of the management of Shire of Dardanup. This report is solely for the purpose set out in the 'Scope and Approach' of this report and for Shire of Dardanup information, and is not to be used for any other purpose or distributed to any other party without AMD's prior written consent. This review's report has been prepared at the request of the Shire of Dardanup Chief Executive Officer or his delegate in connection with our engagement to perform the review as detailed in QUO- F0172278 Local Government (Audit) Regulations 1996 Regulation 17 Review for the period ended 31 December 2020. Other than our responsibility to the Council and management of Shire of Dardanup, neither AMD nor any member or employee of AMD undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to the Shire of Dardanup external auditor, on this report. Any reliance placed is that party's sole responsibility.

## 1. Executive Summary

### 1.1. Background and Objectives

To undertake a review of the appropriateness and effectiveness of risk management, internal controls and legislative compliance of the Shire in according with the Local Government (Audit) Regulations 1996, Regulation 17 for the period ended 31 December 2020 (the ‘review’).

In addition, provide the Chief Executive Officer (CEO) a clear understanding as to the appropriateness and effectiveness of the Shire’s current systems and processes and articulate any areas of improvement.

Our findings included within this report are based on the review procedures completed by us on the 1 to 5 of February 2021. Findings are based on information provided and available to us during these procedures.

### 1.2. Summary of Findings

The procedures performed and our findings on each of the focus areas are detailed in the following sections of the report:

- Section 2 – Risk management;
- Section 3 – Internal controls; and
- Section 4 – Legislative compliance.

Following the completion of our review and subject to the recommendations outlined within sections 2 to 4, we are pleased to report that in context of the Shire’s overall internal control environment, policies, procedures and processes in place are appropriate, and have been operating effectively at the time of the review.

Relative to other councils of similar size to the Shire of Dardanup where we have conducted Regulation 17 reviews, there are few recommendations arising from our review. We consider this reflects the proactive approach taken by Management and Council in implementing recommendations previously raised, following the last Regulation 17 review undertaken in December 2017.

Findings reported by us are on an exceptions basis, and do not take into account the many focus areas tested during our review where policies, procedures and processes were deemed to be appropriate and in accordance with best practice.

The following tables provide a summary of the findings raised in this report:

	Extreme Risk	High Risk	Moderate Risk	Low Risk
Number of new issues reported	0	0	1	5

*For details on the review rating criteria, please refer to Section 5.*



Ref	Issue	Risk Rating
<b>Risk management</b>		
2.2.1	<b>Outdated Policies and Handbook</b> Various Shire policies and handbooks may be out of date and require review.	Low
2.2.2	<b>Code of Conduct</b> The current Code of Conduct for Elected Members, Committee Members and Employees does not detail the reporting mechanism in the event of a breach.	Low
2.2.3	<b>Framework, Plan and Procedures</b> Various frameworks, policies and procedures are currently in review and therefore require finalisation, adoption and implementation.	Low
<b>Internal controls</b>		
3.2.1	<b>Contract Management Framework</b> Currently no formal contract management framework in place.	Moderate
3.2.2	<b>Post Tender Review</b> Currently no formal post tender evaluation / review in place.	Low
<b>Legislative compliance</b>		
4.2.1	<b>Complaints Register</b> Complaints register incomplete with various details not recorded.	Low

## 2. Risk management

### 2.1. Scope and approach

In accordance with the scope set out in our QUO- F0172278 Local Government (Audit) Regulation 17 Review proposal, our review focused on the following:

- Whether the Shire has an effective risk management system and that material operating risks to the Shire are appropriately considered;
- Whether the Shire has a current and effective business continuity plan (including disaster recovery) which is tested from time to time;
- The internal processes for determining and managing material operating risks in accordance with the Shire's identified tolerance for risk, particularly in the following areas:
  - Potential non-compliance with legislation, regulations and standards and local government's policies;
  - Important accounting judgements or estimates that prove to be wrong;
  - Litigation and claims;
  - Misconduct, fraud and theft; and
  - Significant business risks, recognising responsibility for general or specific risk areas, for example, environmental risk, occupational health and safety, and how they are managed by the local government;
- Regular risk reports presented to the Audit Committee/Council, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported;
- Adequacy of Shire processes to manage insurable risks and ensured the adequacy of insurance cover, and if applicable, the level of self-insurance;
- Effectiveness of the Shire's internal control system with management and the internal and external auditors;
- Whether management has controls in place for unusual types of transactions and/or any potential transactions that might carry more than an acceptable degree of risk;
- The Shire's procurement framework with a focus on the probity and transparency of policies and procedures/processes and whether these are being applied;
- Audit Committee meeting practices ensuring periodically meeting with key management, internal and external auditors, and compliance staff, to understand and discuss any changes in the local government's control environment;
- Ascertained whether fraud and misconduct risks have been identified, analysed, evaluated, have an appropriate treatment plan which has been implemented communicated, monitored and there is regular reporting and ongoing management of fraud and misconduct risks;
- Ascertained the effectiveness of monitoring, reporting and communication surrounding risk management;
- Assessed the extent and adequacy of risk reports provided to the Audit Committee, which identify key risks, the status and the effectiveness of the risk management systems, to ensure that identified risks are monitored and new risks are identified, mitigated and reported; and
- Assessed the effectiveness of the Shire's internal control system.

## 2.2. Detailed findings and recommendations

### 2.2.1 Outdated Policies and Handbook

#### *Finding Rating: Low*

We noted the following Shire policies, procedures and/or handbooks which are potentially out of date and may require review:

- Code of conduct for Elected Members, Committee Members and Employees (last reviewed 16 November 2013);
- Risk Management Policy AP0213 (last reviewed 14 August 2019); and
- Public Interest Disclosure (PID) Employee Handbook (last reviewed January 2019).

In addition we noted the Risk Register Guidelines procedure still references the old AS/NZS 31000:2009 as opposed to the new standard, AS/ISO 31000:2018.

#### **Implications / Risks**

- Risk that Risk Management policies and handbook are outdated and not reviewed in accordance with scheduled review dates.
- Out-dated policies and procedures may not reflect the actual practices followed by Shire representatives.

#### **Recommendation**

We recommend those potentially out of date policies, procedures and handbooks be reviewed and updated accordingly. In addition, we recommend all policies, procedures and handbooks specify the next required review date with the review occurring in accordance with their stated review dates.

#### **Management Comment**

The review of the Council Policy Manual is undertaken biennially and next due in the middle of 2022. A comprehensive review of Administrative Policies and Procedures is currently underway and scheduled for completion around the middle of 2021.

#### **Responsible Officer:**

Manager Governance & HR

#### **Completion Date:**

31 December 2021

### 2.2.2 Code of Conduct

#### *Finding Rating: Low*

Perusal of the Shire's Code of Conduct identified the document does not outline the reporting mechanisms in place which would enable stakeholders to report a potential breach of the Code of Conduct. In addition, the Code of Conduct did not address what would occur if an employee or Councillor was to breach the Code of Conduct.

#### **Implications / Risks**

Potential inability to report a breach of the Code of Conduct.

#### **Recommendation**

We recommend:

- The Code of Conduct be updated to reflect reporting mechanisms; and
- The Code of Conduct be updated to reflect the consequences if an employee or Councillor was to breach the Code of Conduct.

### **Management Comment**

The review of the Council Code of Conduct Policy has been placed on hold in the past due to the impending state government regulations. These regulation changes have now occurred so a comprehensive review of the current Code of Conduct policy is currently underway and scheduled for completion around the end of April 2021.

**Responsible Officer:**

Manager Governance & HR

**Completion Date:**

30 April 2021

### **2.2.3 Framework, Plan and Procedures in Review**

**Finding Rating: Low**

We noted the following Shire policies, procedures and/or plans are currently under internal review and yet to be adopted and implemented accordingly:

- Local Emergency Management & Recovery Arrangement Plan;
- Work Health & Safety Framework;
- Contractor Management – High Risk Cover Procedure; and
- Administration Policy Register and Procedure Register.

### **Implications / Risks**

Risk of significant delays and business interruption in the event of unforeseen circumstances in respect to Shire business.

### **Recommendation**

We recommend finalisation of the above Shire policies, procedures and plans including adoption by Council. Once the documents have been adopted, we recommend they are endorsed and communicated to all staff, implemented and monitored on a regular basis including testing the appropriate sections of the plan to ensure that in the event of a disaster, appropriate actions can be taken.

### **Management Comment**

A number of Plans and Framework documents are scheduled for finalisation during 2021, which will be communicated to staff and monitored into the future. A comprehensive review of Administrative Policies and Procedures is currently underway and scheduled for completion around the middle of 2021.

**Responsible Officer:**

Manager Governance & HR

**Completion Date:**

31 December 2021

### 3. Internal controls

#### 3.1. Scope and approach

In accordance with the scope set out in our QUO-F0172278 Local Government (Audit) Regulation 17 Review proposal, our review focused on the following:

- Segregation of roles and functions, processing and authorisation controls;
- Delegations of authority (completeness and adherence);
- Documented policies and procedures;
- The effectiveness of policy and process reviews;
- Approval of documents, letters and financial records;
- Management internal reviews undertaken in respect to comparison of internal data with external sources of information;
- The adequacy of internal controls;
- Security controls in respect to physical access to assets and records;
- Security controls in respect to computer applications and information systems (general and application IT controls);
- Access limits placed on data files and systems;
- Whether the maintenance and review of financial control accounts and trial balances is regular and appropriate;
- Key management internal reviews undertaken in respect to comparison and analysis of financial results with budgeted amounts;
- Key management internal reviews undertaken in respect to the arithmetical accuracy and content of records;
- Controls in respect to purchasing and payment of accounts;
- Effectiveness of the training and development plan for staff and elected members; and
- Reporting, review and approval of financial payment and reconciliations; and
- Physical cash and inventory count records when compared to accounting records.

#### 3.2. Detailed findings and recommendations

##### 3.2.1 Contract Management Framework

***Finding Rating: Moderate***

Our discussions with management identified that although there is a range of contractor management documents, there is no documented Contract Management Framework in place addressing the Shire approved approach to be followed when managing contracts from the induction to contract completion stages.

Please note, we understand a Procurement Framework is currently under development to address the procurement of goods and services, transport for construction works and other asset classes.

##### **Implications / Risks**

- Risk Shire representatives do not follow an appropriate and consistent process when procuring and managing contracts.
- Risk of non-compliance with Shire's purchasing policy.
- Risk of the contractor's non-compliance with the Shire's policies, procedures including relevant ethics, health and safety requirements.
- Risk of non-compliance with the terms and conditions of the contract.

**Recommendation**

We recommend a contract management framework is designed and documented to ensure that contracts are managed appropriately and in accordance with the stated framework. This approach will include the mandatory requirement of all contractors completing some level of induction (the level of induction completed should be determined based on the risks associated with the service or goods provided), ensuring that up to date insurances are on file and the contractor invoices the Shire in accordance with the contract/agreement.

**Management Comment**

A contract management framework will be considered as part of the new Procurement Framework, together with the Risk Management Governance Framework.

**Responsible Officer:**  
Deputy CEO

**Completion Date:**  
31 December

**3.2.2 Post Tender Review**

**Finding Rating: Low**

We noted the Shire does not have a formal post tender performance evaluation process on completion of the tender.

**Implications / Risks**

Lack of formalised documentation evidencing tender performance assessment.

**Recommendation**

WALGA best practice guidelines recommend formal performance management assessments be completed at the end of the tender period once goods or services have been tendered.

We recommend a post tender / contract performance evaluation procedure be documented, implemented through the communication to all staff and monitored on an ongoing basis to ensure compliance with stated procedures.

**Management Comment**

Noted. This will be considered as part of the new Procurement Framework.

**Responsible Officer:**  
Deputy CEO

**Completion Date:**  
31 December

## 4. Legislative compliance

### 4.1. Scope and approach

In accordance with the scope set out in our QUO- F0172278 Local Government (Audit) Regulation 17 Review proposal, our review focused on the following:

- Internal monitoring of compliance with legislation and regulations;
- The Shire's ability to stay informed regarding legislative changes;
- The Shire's completion of the annual Compliance Audit Return and reporting the results of that review to the Audit Committee and Council;
- The monitoring of the Shire's structured guidelines that detail the Shire's processes for meeting statutory obligations (compliance frameworks);
- Communications between key management and the Audit Committee to ensure the Audit Committee is informed in respect to the effectiveness of the Shire's compliance and recommendations for changes as required;
- The Shire's procedures in respect to receiving, retaining and handling complaints, including confidential and anonymous employee complaints;
- Key managements internal review processes in respect to the identification of adverse trends and management plans to address these;
- Management disclosures in financial reports of the effect of significant compliance issues (if any);
- The internal and / or external audit contracts include an assessment of compliance and ethics risks in the development of the audit plan and in the conduct of audit projects, and report compliance and ethical issues to the Audit Committee;
- The Audit Committee's processes and procedures in respect to compliance with legislative and regulatory compliance ensuring no misuse of position through adequate disclosure of conflicts of interest; and
- Reviewed the findings from the most recent Financial Management Systems Review completed together with the annual Compliance Audit Return and Annual Audit Reports.

### 4.2. Detailed findings and recommendations

#### 4.2.1 Complaints Register

**Finding Rating: Low**

Our review of the Complaints Register in Tardis identified two complaints dated 18 December 2019 and 19 December 2019, where the details of Fusion/ Tardis Link, Responsible Officer, Action date and action taken / complaint resolution were not recorded.

#### Implications / Risks

Risk of non-compliance with Section 5.121 and Section 5.110(6) of the Local Government Act 1995 and

#### Recommendation

We recommend the Complaint Register include all necessary details as required by the Act.

#### Management Comment

A detailed review of the Customer Service processes and procedures is occurring during the first half of 2021.

#### Responsible Officer:

Manager Governance & HR

#### Completion Date:

31 December 2021

## 5. Guidance on Risk Assessment

Risk is uncertainty about an outcome. It is the threat that an event, action or non-action could affect an organisation’s ability to achieve its business objectives and execute its strategies successfully. Risk is an inherent component of all service activities and includes positive as well as negative impacts. As a result not pursuing an opportunity can also be risky. Risk types take many forms – business, economic, regulatory, investment, market, and social, just to name a few.

Risk management involves the identification, assessment, treatment and ongoing monitoring of the risks and controls impacting the organisation. The purpose of risk management is not to avoid or eliminate all risks. It is about making informed decisions regarding risks and having processes in place to effectively manage and respond to risks in pursuit of an organisation’s objectives by maximising opportunities and minimising adverse effects.

Our risk guidelines are based on the Risk Management – Guidelines Standard AS / NZS ISO 31000-2018 and/or the Shire of Dardanup’s Risk Management Framework.

Risk is the probability that an event or action may adversely affect the organisation. Risk is assessed based on the relationship between consequence and likelihood.

- Likelihood is the chance that the event may occur given knowledge of the organisation and its environment.
- Consequence is the severity of the impact that would result if the event were to occur.

Our risk rating for each finding was based on the following table:

### LIKELIHOOD TABLE

Level	Rating	Description	Frequency
5	Almost Certain	The event is expected to occur in most circumstances	The event is expected to occur more than once per year
4	Likely	The event will probably occur in most circumstances	The event will probably occur at least once per year
3	Possible	The event should occur at some time	The event should occur at least once in 3 years
2	Unlikely	The event could occur at some time	The event could occur at least once in 10 years
1	Rare	The event may only occur in exceptional circumstances	The event is not expected to occur more than once in 15 years

*\*Above Extracted from the Shire’s Risk Management Framework.*



### LEVEL OF RISK GUIDE

Consequence		Insignificant	Minor	Moderate	Major	Catastrophic
Likelihood		1	2	3	4	5
Almost Certain	5	Moderate (5)	Moderate (10)	High (15)	Extreme (20)	Extreme (25)
Likely	4	Low (4)	Moderate (8)	High (12)	High (16)	Extreme (20)
Possible	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	High (15)
Unlikely	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	Moderate (10)
Rare	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)

\*Above Extracted from the Shire's Risk Management Framework.

### RISK ACCEPTANCE CRITERIA

Risk Rank	Description	Criteria	Responsibility	Entered on Risk Register
<b>LOW (1 – 4)</b>	Acceptable	Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring	Staff Member / Supervisor	No
<b>MODERATE (5 – 11)</b>	Monitor	Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring	Supervisor / Manager	No
<b>HIGH (12 – 19)</b>	Urgent Attention Required	Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring	Manager / Director / EMT	Yes
<b>EXTREME (20 – 25)</b>	Unacceptable	Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring	EMT / CEO / Council	Yes

\*Above Extracted from the Shire's Risk Management Framework.

**RISK ASSESSMENT TOOL****OVERALL RISK EVENT:** Update on Regulation 17 Audit Findings**RISK THEME PROFILE:**

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

**RISK ASSESSMENT CONTEXT:** Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
<b>HEALTH</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>FINANCIAL IMPACT</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>SERVICE INTERRUPTION</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>LEGAL AND COMPLIANCE</b>	Failure to fulfil obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
<b>REPUTATIONAL</b>	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
<b>ENVIRONMENT</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>PROPERTY</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.



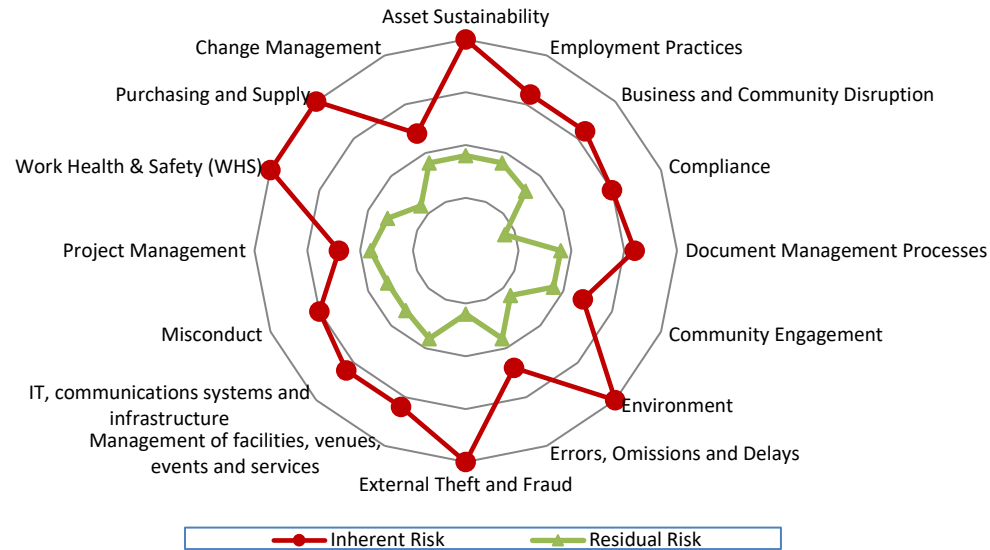
# ***Risk Management***

## **6 Monthly Dashboard Report**

Risk Management Dashboard Report

Provided in the table below is an up to date 'Dashboard Report' of the current actions that have been identified by management. These actions are assigned to responsible officers as a task and are regularly monitored by the Senior Corporate Governance Officer.

SHIRE OF DARDANUP  
Risk Dashboard



Asset Sustainability	Risk Rating		Risk Evaluation	
	Inherent Risk	Extreme	Control effectiveness	Adequate
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager Operations	
Failure or reduction in service of infrastructure assets, plant, equipment, or machinery.				
Current Treatment Plan (Action)		Due Date	Responsibility	
Develop Maintenance Plans		Jun-24	Manager Operations	
Asset Management Implementation Program – program for delivery of Asset Management documentation		Jun-27	Manager Assets	
Establish a database for property information of leased facilities		Jun-24	Manager Governance	
To assist with the 2024-2025 BAMP visual inspections/assessments of Shire Buildings to be undertaken		Jun-24	Manager Assets	

Employment Practices	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Effective
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager HR	
Failure to effectively manage human resources (full-time, part-time, casuals, temporary and volunteers).				
Current Treatment Plan (Action)		Due Date	Responsibility	
Establishment of Competency Framework (Staff Training)		Jun-24	HR Coordinator	
Implementation of Employee Value Proposition (EVP) Implementation Plan		Dec-24	Manager HR	

SHIRE OF DARDANUP  
Risk Dashboard

<u>Business and Community Disruption</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Adequate
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager Information Services	
<b>Failure to adequately prepare and respond to events that cause disruption to the local community and / or normal business activities.</b>				
Current Treatment Plan (Action)		Due Date	Responsibility	
IT Disaster Recovery Plan - review required of specific recovery items and scenarios to fully test the effectiveness of the Plan		Jun-24	Cyber Security Administrator	
Draft IT Disaster Recovery run sheets		Jun-24	Cyber Security Administrator / IT Team Leader	
Training of replacement Recovery Co-ordinators		Jun-24	Coordinator Emergency & Ranger Services	

<u>Compliance</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Effective
	Residual Risk	Low	Risk Acceptance	Accept
	Risk Responsibility		Manager Financial Services	
<b>Failure to correctly identify, interpret, assess, respond, and communicate laws and regulations as a result of an inadequate compliance framework.</b>				
Current Treatment Plan (Action)		Due Date	Responsibility	
Rates Health Check Review (IT Vison)		Mar-24	Finance Coordinator	

<u>Document Management Processes</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Adequate
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager Information Services	
<b>Failure to adequately capture, store, archive, retrieve, provide, or dispose of documentation.</b>				
Current Treatment Plan (Action)		Due Date	Responsibility	
Completion of Retroscan Project to improve physical security of documents		Jun-25	Manager Information Services	
TARDIS refresher training		Dec-23	Manager Information Services	

<u>Community Engagement</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Adequate
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager Community Development	
<b>Failure to maintain effective working relationships with the Community (including local Media), Stakeholders, Key Private Sector Companies, Government Agencies and Elected Members.</b>				
Current Treatment Plan (Action)		Due Date	Responsibility	
Nil				

SHIRE OF DARDANUP  
Risk Dashboard

<u>Environment</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	Extreme	Control effectiveness	Adequate
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager Operations	
Inadequate prevention, identification, enforcement, and management of environmental issues.				
Current Treatment Plan (Action)		Due Date	Responsibility	
Nil				

<u>Errors, Omissions and Delays</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Effective
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager HR	
Errors, omissions, or delays in operational activities as a result of unintentional errors or failure to follow due process including incomplete, inadequate or inaccuracies in advisory activities to customers or internal staff.				
Current Treatment Plan (Action)		Due Date	Responsibility	
Nil				

<u>External Theft and Fraud</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	Extreme	Control effectiveness	Effective
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager Financial Services	
Loss of funds, assets, data, or unauthorised access, (whether attempted or successful) by external parties, through any means (including electronic), for the purposes of fraud, malicious damage, or theft.				
Current Treatment Plan (Action)		Due Date	Responsibility	
Nil				

<u>Management of facilities, venues, events, and services</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Effective
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager Community Development	
Failure to effectively manage the day-to-day operations of facilities, venues, and events.				
Current Treatment Plan (Action)		Due Date	Responsibility	
Nil				

<u>Misconduct</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Effective
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager Financial Services	
Intentional activities in excess of authority granted to an employee, which circumvent endorsed policies, procedures, or delegated authority				
Current Treatment Plan (Action)		Due Date	Responsibility	
Review of Debit Card Process and Policy		Dec-23	Manager Financial Services	

<u>Project Management</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Adequate
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager Operations	
Inadequate analysis, design, delivery, and reporting of projects.				
Current Treatment Plan (Action)		Due Date	Responsibility	
Standardise a formal structure for all projects from conception to completion (Project Management Framework)		Jun-24	Director Infrastructure Services	

SHIRE OF DARDANUP  
Risk Dashboard

<u>IT, communications systems, and infrastructure</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Adequate
	Residual Risk	Moderate	Risk Acceptance	Accept
	Risk Responsibility		Manager Information Services	
Instability, degradation of performance, or other failure of IT or communication system or infrastructure causing the inability to continue business activities and provide services to the community.				
Current Treatment Plan (Action)		Due Date	Responsibility	
Develop IT/IS Service Management		Dec-24	IT Team Leader/MIS/BS/IDS	

<u>Purchasing and Supply</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	Extreme	Control effectiveness	Adequate
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager Operations	
Inadequate management of external Suppliers, Contractors, IT Vendors or Consultants engaged for operations.				
Current Treatment Plan (Action)		Due Date	Responsibility	
Examine appropriate framework (inclusive of resourcing and reporting) for contract management		Dec-24	DCEO	

<u>Work Health &amp; Safety (WHS)</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	Extreme	Control effectiveness	Adequate
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager HR	
Non-compliance with the Workplace Health & Safety Act, associated Regulations, and standards. It is also the inability to ensure the physical security requirements of staff, contractors, and visitors.				
Current Treatment Plan (Action)		Due Date	Responsibility	
Review of WHS Framework with particular focus on volunteers and inductions processes		Jun-24	Manager HR	

<u>Change Management</u>	Risk Rating		Risk Evaluation	
	Inherent Risk	High	Control effectiveness	Adequate
	Residual Risk	Moderate	Risk Acceptance	Monitor
	Risk Responsibility		Manager HR	
Inadequate understanding of change management. This includes the inability to prepare, support, and help individuals and teams in making organisational change.				
Current Treatment Plan (Action)		Due Date	Responsibility	
Review required to assess what processes are currently in place to manage change in the organisation. This will assist with developing a Change Management Framework and to what extent this can be resourced (or alternatively requires resourcing).		Jun-24	Manager HR	

**RISK ASSESSMENT TOOL****OVERALL RISK EVENT:** Biannual Risk Management Dashboard Report**RISK THEME PROFILE:**

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

**RISK ASSESSMENT CONTEXT:** Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
<b>HEALTH</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>FINANCIAL IMPACT</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>SERVICE INTERRUPTION</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>LEGAL AND COMPLIANCE</b>	Failure to fulfil compliance obligations pursuant to the Local Government (Audit) Regulations 1996, Regulation 17.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
<b>REPUTATIONAL</b>	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
<b>ENVIRONMENT</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>PROPERTY</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.





Report 4: 2023-24 | 13 September 2023

**PERFORMANCE AUDIT**

# Staff Exit Controls for Government Trading Enterprises



**Office of the Auditor General  
Western Australia**

**Audit team:**

Jason Beeley  
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(to assist people with hearing and voice impairment)

We can deliver this report in an alternative format for those with visual impairment.

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***The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.***

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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**Staff Exit Controls for Government Trading  
Enterprises**

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Report 4: 2023-24  
13 September 2023

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**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

**STAFF EXIT CONTROLS FOR GOVERNMENT TRADING ENTERPRISES**

This report has been prepared for submission to Parliament under the provisions of section 25 of the *Auditor General Act 2006*.

Performance audits are an integral part of my Office's overall program of audit and assurance for Parliament. They seek to provide Parliament and the people of WA with assessments of the effectiveness and efficiency of public sector programs and activities, and identify opportunities for improved performance.

This audit assessed whether four government trading enterprises effectively and efficiently manage the exit of staff to minimise security, asset and financial risks.

I wish to acknowledge the entities' staff for their cooperation with this audit.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER  
AUDITOR GENERAL  
13 September 2023

# Contents

- Auditor General’s overview ..... 5
- Executive summary ..... 6
  - Introduction ..... 6
  - Background ..... 6
  - Conclusion ..... 8
- Findings ..... 10
  - Entities do not always remove access and collect assets in a timely manner when staff exit.....10
  - Entities do not consistently monitor the staff exit process to ensure that it is effective .11
  - Gaps in policies and procedures lead to inconsistencies in the staff exit process .....14
- Recommendations..... 16
  - Response from Electricity Generation and Retail Corporation (trading as Synergy) ....18
  - Response from DevelopmentWA .....18
  - Response from Insurance Commission of Western Australia .....18
  - Response from Pilbara Ports Authority .....18
- Audit focus and scope ..... 19
- Appendix 1: Better Practice Guide..... 20
- Appendix 2: Specific responses to recommendations from audited entities ..... 22

## Auditor General's overview

Entities need to ensure when a staff member leaves that premises and information are protected, and all public assets recovered. Ineffective controls increase the risk of security breaches and the loss of information, physical assets and public money. Issues with controls on staff exits are regularly identified in my Office's financial and information systems audits, and performance audits on this topic.



For this audit, my Office chose to look at government trading enterprises, in part to see if the different operating environment made a difference to both the risks and controls around staff exits. We found that risks and controls are similar and that although performance was generally better than other State sector entities we have examined, areas for improvement remain.

We found responsibility for staff exit controls is often shared across business units that may not routinely work together, so entities need good systems and policies to support effective coordination. Also that exit controls were not adapted to the different risks posed by high integrity positions and high risk exits. This is similar to what we found in our August 2021 audit of State government entities.

I recommend all public sector entities consider the findings, recommendations and better practice material in this and previous reports, and seek to apply them in their own operating context.

## Executive summary

### Introduction

This audit assessed whether four government trading enterprises (Electricity Generation and Retail Corporation (trading as Synergy), DevelopmentWA, Insurance Commission of WA and Pilbara Ports Authority) effectively and efficiently manage the exit of staff to minimise security, asset and financial risks.

Our office regularly conducts control health checks on entities to ensure the systems they use are effective and secure. Our 2021 Staff Exit Controls<sup>1</sup> audit on State government entities found that access to work premises and information technology (IT) systems was not consistently cancelled immediately, exit controls were not risk based and adjusted for high integrity positions, and termination type and salary overpayments or debts were not settled at the time. Our office's recent work in financial and information systems audit have consistently found similar issues.

### Background

Government trading enterprises (GTEs) are owned by the State Government. While GTEs are public entities, they operate in a commercial business environment and in accordance with prudent commercial principles. The main purpose of a GTE is to increase financial and community benefit through the performance of its function.

A GTE's function is determined by its Establishing Act. Establishing GTEs in this way is intended to create a more accountable, commercial and competitive operating environment than that of typical government entities. Being at arm's length from Government, they have the autonomy to introduce private sector disciplines, incentives, sanctions and competition that are expected to secure operational efficiencies and ensure value for money service delivery.

GTEs provide services and supporting infrastructure to nearly every household and business in the State. To deliver these services, they manage critical infrastructure such as electricity substations and port facilities. GTEs provide their employees with a range of assets to carry out their duties, including computers, laptops, tablets, mobile phones, credit cards, vehicles and housing. Many also have access to commercially sensitive information on transactions between the State and private companies, and personal information on the public.

At the four audited entities, 1,186 people, including contractors, ceased employment in the 12-month period to February 2023.

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<sup>1</sup> Office of the Auditor General, [Staff Exit Controls](#), OAG website, 5 August 2021, accessed 13 September 2023.



Entity	Contractors	Employees	Total exits	Selected sample
Electricity Generation and Retail Corporation (Synergy)	737	193	930	30
DevelopmentWA	60	31	91	28
Insurance Commission of Western Australia (ICWA)	7	58	65	28
Pilbara Ports Authority (Pilbara Ports)	35	65	100	27
<b>Total</b>	<b>839</b>	<b>347</b>	<b>1,186</b>	<b>113</b>

Source: OAG using audited entity information

**Table 1: Number of terminations at the audited entities**

A staff member may cease employment with an entity for a range of reasons including through resignation, retirement, dismissal, end of contract or permanent transfer to another public sector entity. When a staff member ceases employment with the entity, the entity should:

- cancel access to the information systems, premises and confidential information immediately
- deactivate all security access passes and keys
- collect all entity issued property
- recoup all financial debts from the exiting employee
- offer exit interviews.

The Digital Security Policy<sup>2</sup> issued by the WA Office of Digital Government provides a checklist of controls that all entities responsible for public assets should apply. It includes making clear the enduring requirement for staff to maintain the security of information after they leave employment with a government entity, and that entities should ensure that all IT assets are returned when the person's employment ends. Entities need to assess the security implications and other risks posed by all staff who leave their employment, regardless of the reason.

In each of our sampled entities, the staff exit management process is a shared responsibility between multiple business units (Figure 1). Good staff exit management requires all business units to work together to ensure actions are completed promptly. Failure to provide an effective staff exit management process exposes the entity to risks of security breach and asset or financial loss.

<sup>2</sup> Office of the Government Chief Information Officer, *Whole-of-Government Digital Security Policy*, Office of the GCIO, Perth, 2017.



Source: OAG using audited entity process maps and information

Note: The business unit names and configurations may vary at different entities.

**Figure 1: Five key business units generally involved in the staff exit management process**

This report includes a better practice guide, adapted from the Australian Government Protective Security Policy Framework<sup>3</sup> to assist entities to strengthen their staff exit controls (Appendix 1).

## Conclusion

The GTEs we audited have been generally effective and efficient in managing their staff exits. They could demonstrate that assets had been returned, access to information systems had been cancelled and overpayments had been managed. However, there are areas where all four GTEs can improve to further reduce risk.

Physical and information security risks were not always minimised. Entities were not consistently managing the return of assets on the day of termination. Only one entity routinely minimised the information security risk through the consistent cancellation of access to information systems within 24 hours of the exit date.

<sup>3</sup> Department of Home Affairs, *Protective Security Policy Framework*, [protectivesecurity.gov.au](https://protectivesecurity.gov.au), n.d., accessed 8 August 2023.

## **(Appendix AAR: 8.4A)**

Staff exit controls in entities are not risk based to take account of high integrity positions and the circumstances in which staff leave. Staff leaving high integrity positions with, for example, access to sensitive or commercial-in-confidence information and critical infrastructure are not subject to risk assessment and adjusted exit controls.

The use of exit interviews and surveys varied among the sampled entities, with some limiting them based on employment status or length of service. This meant that contractors were often excluded from this feedback mechanism. Not seeking feedback from exiting staff misses an opportunity for identifying areas of improvement in business operations.

## Findings

### Entities do not always remove access and collect assets in a timely manner when staff exit

#### Delays in access cancellation risks unauthorised access to information systems and premises

DevelopmentWA performed better than the other three entities as all exiting staff's access to information systems and premises was removed when it was no longer required. For the other entities we audited, we found 74 users whose access was removed within 24 hours of the exit date but in 11 instances across the three entities, it took between two and 112 days after the exit date to remove access to information systems and premises (Table 2). While we did not identify any inappropriate access to systems, these delays increase the risk and can compromise the integrity and confidentiality of the information held on the entities' systems.

At ICWA, in a sample of 28, we found five instances where user access was not removed within 24 hours of the exit date. In one case, internal audit found access to information systems had not been removed 112 days after the exit date. The entity advised that this was the result of an IT issue and has since changed its internal processes.

At Pilbara Ports, access to systems was not cancelled the day after the exit date in three out of 27 instances. Although the access cancellations were less than three days after exit, the small delay still posed a risk of unauthorised access to confidential information. Pilbara Ports advised us that employees have confidentiality obligations that survive their employment contract.

In addition to the three instances where access to information systems was not cancelled within 24 hours, we found another two instances where access to premises was not removed within 24 hours of the exit date. Pilbara Ports advised us that access to the site is monitored on a 24/7 basis.

Pilbara Ports advised that, for two of the cases, notification to remove access to systems was received late on a Friday and could only be completed the next business day, which was a Monday. In one of these cases, physical access to premises was also not cancelled until the Monday, allowing free access for the former staff member over the weekend. We did not identify any inappropriate access over the weekend for these two cases however the delay increased the risk of unauthorised access and weakened controls over inappropriate use.

Entity	Number of instances	Minimum number of days	Maximum number of days
ICWA	5	3	112
Pilbara Ports	5	2	6
Synergy	1	41	41

Source: OAG using audited entity information

**Table 2: Number of instances and days to cancel access to information systems and premises after the exit date**

#### Not all entities were effectively managing the return of assets on the last day of employment

We found instances at Pilbara Ports and Synergy where asset management systems showed assets not returned on the day of exit. Assets included laptops, tablets, mobile

phones and credit cards. Out of a sample of 30 staff exits at Synergy, nine individuals (30%) had a total of 12 instances where asset management systems showed late return of assets. We found similar process gaps at Pilbara Ports where eight out of 27 sampled staff exits (30%) had a total of nine instances where asset management systems showed late return of assets (Table 3). Pilbara Ports advised us that while the asset management systems recorded the late return, the assets were held in their custody and posed no risk.

Entity	Laptop	Mobile device	Credit card
Synergy	9 (max 14 days)	2 (max 6 days)	1 (max 2 days)
Pilbara Ports	6 (max 7 days)	2 (max 5 days)	1 (max 5 days)

Source: OAG using audited entity information

**Table 3: Number of instances where asset management systems showed assets not returned on the day of exit**

Synergy, ICWA and Pilbara Ports could identify the dates assets were returned. During the audit, DevelopmentWA advised that their systems had limitations that would not allow the return dates to be entered but it has since advised of a process change to address this. Without any records of assets returned, entities cannot identify when the assets were collected and if there are any gaps in the staff exit management process. All four entities could demonstrate that assets issued to staff were ultimately returned.

While employees are commonly provided with computers, tablets, mobile phones and credit cards, in some cases, employees are provided with vehicles and houses. Synergy employees working onsite have access to vehicles while some Pilbara Ports employees are provided with housing. Physical return of such items does not always complete the process. For example, a vehicle was left at a Synergy worksite on an employee’s last day, but it took 162 days for Synergy to reassign the vehicle to another employee by completing the internal transfer documents. This could have created liability issues between the driver and the insurance company if the vehicle had been involved in a crash during that time.

A failure to return assets and remove user access to information systems within 24 hours of the exit date exposes an entity to the risk of inappropriate access and financial loss.

## Entities do not consistently monitor the staff exit process to ensure that it is effective

### Entities do not monitor exits so they do not know if their policies are being complied with

Termination checklists are used at three of the entities (ICWA, DevelopmentWA and Pilbara Ports) while the fourth (Synergy) used an automated termination workflow for this purpose. We found incomplete termination checklists and actions outstanding at ICWA and Pilbara Ports. The inaccuracy of checklists makes effective review more difficult and risks missing steps in the exit process.

In 12 out of 27 instances (44%) at Pilbara Ports, IT termination checklists were not dated to identify when they were completed while two out of the 12 instances incorrectly showed assets not returned. Furthermore, human resources (HR) termination checklists for two contractors were not completed and signed by a delegated authority. However, Pilbara Ports advised that termination checklists are only used as a guide to assist staff during the staff exit process and should not be relied on as a control document.

At ICWA, we found that termination checklists were often incomplete. For example, we found three instances where leave audits were carried out but not marked on the termination

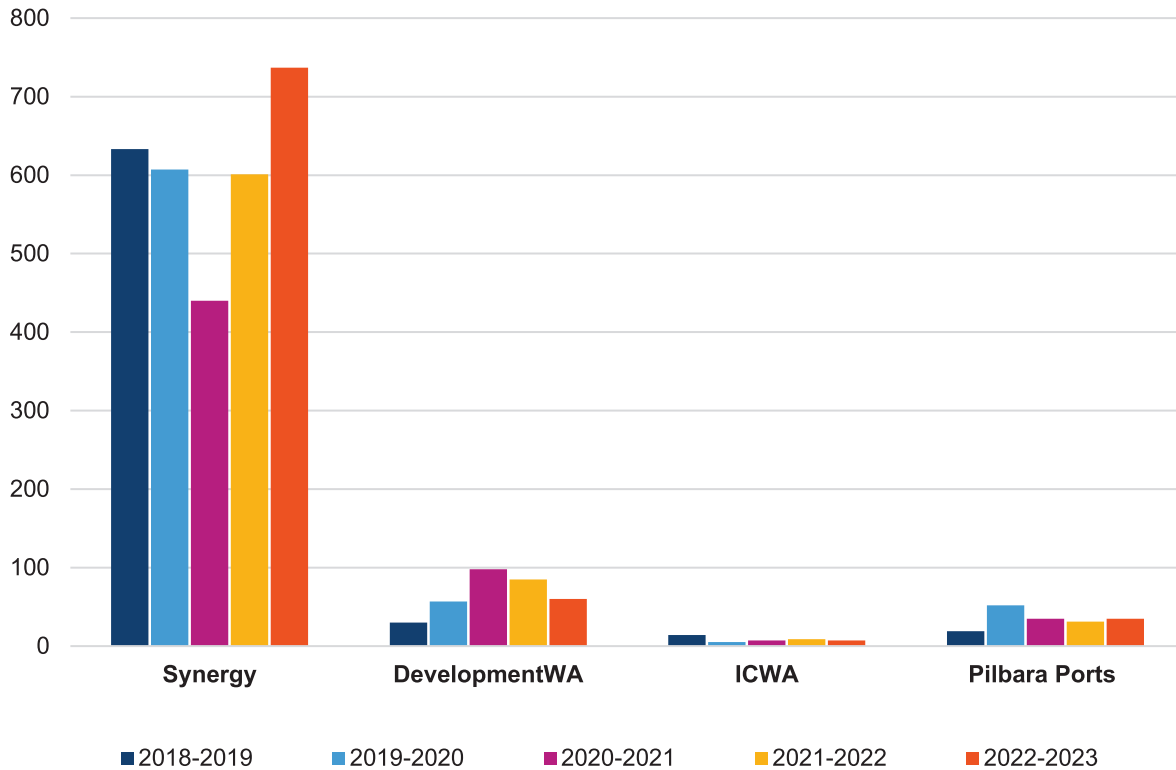
checklist when staff transferred to another public sector entity. Failure to use control documents such as checklists increases the risk of steps in the staff exit process being omitted. In the cited example, the risk is to the financial liability for accrued leave, which can represent a sizeable financial liability for an employer. It is important that balances are accurately paid out or transferred to other public entities.

Rather than manual termination checklists, Synergy uses an automated termination workflow to guide the staff exit process. We found nine instances where the termination workflow was initiated after the staff member had exited. For seven of these the average delay was under two days but one took 12 days and another 41 days. In the latter case, a contractor managed by an agency company had been on long term leave prior to their resignation and Synergy had not been aware that the contractor had effectively exited. It removed the contractor's access to information systems on the day it was informed.

At Synergy, contractor exit processes are managed by contractors' line managers rather than by HR staff with specialist expertise and centralised oversight. This practice and a lack of regular monitoring and communication between business units and agency companies creates a level of risk in the exit process. The risk is compounded by contractors exiting before the contract termination date while access is maintained for the length of the contract by default.

Of the entities we audited, Synergy relies most heavily on contractors (Figure 2) but we found the same issue affected all the entities. All contractor accounts are created with an expiry date, this is known as the contract end date. However, if the contracted services are no longer required, the contractor can exit prior to the contract end date. This leaves a gap between the exit date and the contract end date where the contractor still has access to the entity's information system. While our procedures found no evidence of inappropriate access after the exit date, this gap presents a risk to entities.

To address these concerns, it is vital that entities monitor the exit process closely to identify systemic and individual problems. This could be achieved by ensuring termination checklists and workflows are followed and verified by responsible parties when staff exit, whether they are employees or contractors. Failure to do so significantly undermines their effectiveness.



Source: OAG using audited entity information

Figure 2: Number of contractor terminations at the audited entities

### Exit interviews are not consistently used in the exit process to identify areas of improvement

Across all four entities, only 59% (38 out of 64) of exiting employees we sampled were offered the opportunity to complete a staff exit interview. With the inclusion of contractors, this decreases to 34% (38 out of 113). Offering staff exit surveys to contractors could offer valuable insight as they provide an external view of the entities' current processes.

All four entities offer staff exit surveys as part of their staff exit process but they are limited either to employees only or employees and contractors engaged for longer than three months. Apart from DevelopmentWA, the entities in our sample did not offer the opportunity for contractors to complete either an interview or a survey. In our samples, 43% (49 out of 113) of staff exits we tested were employed as contractors.

At DevelopmentWA, 50% (6 of 12) of exited employees completed staff exit interviews in person with a staff member from HR.

Pilbara Ports offers exit surveys to all employees, which are completed online and provided by a third-party supplier. Exit surveys can also be completed face to face with a member of the HR team. Participation is voluntary and nine of 19 (47%) in our sample, did not complete an exit survey.

At ICWA, five out of 23 employees were offered a staff exit interview. Only employees with more than 12 months of service were offered this opportunity. The entity advised that this process has changed and risk-based decisions are now made to determine if exit interviews are offered to exiting employees.

Synergy was the only audited entity where none of the samples completed an exit survey. However, the entity could provide survey results completed by other exited employees within the audit period. The entity advised that the completion of exit surveys is optional.

Information from exit interviews and surveys can help entities to assess strengths and vulnerabilities, and focus workforce management strategies to drive talent attraction and retention. Consequently, restricting the opportunity for feedback to only employees presents a missed opportunity for the entity's business improvement.

## **Gaps in policies and procedures lead to inconsistencies in the staff exit process**

### **Policies and procedures are not always complete, leaving parts of the process unclear to staff and they are not formally reviewed or approved**

The policy and procedure documents we reviewed in all four entities have some gaps and do not provide complete guidance of the staff exit management process. For example, none of the policies or procedures state that cancellation of access to information systems should be completed within the best practice timeframe of 24 hours of the exit date. DevelopmentWA has since updated its processes to include this requirement. We also found that nearly half (13 out of 29) of the documents did not have a review or approval date. Policies and procedures that are not reviewed regularly may not reflect any recent changes in operations or environment.

Pilbara Ports has a dedicated team that manages housing and vehicles, but procedure documents were still being developed at the time of the audit to guide the team in the staff exit process. The management of housing can be more complex than assets such as laptops and mobile phones as there are regulations around vacating the property and recovering debts from staff. While there have been no issues to date with the return of housing or vehicles, a lack of documented procedures could increase the risk of disputes and associated costs, and inefficient use of assets.

Only ICWA had documented procedures to guide the collection of overpayments for staff. While only one of the four entities recorded an overpayment, lack of documentation to guide the recovery process means that staff are not aware of the process and regulations around collecting outstanding debt, potentially delaying recovery of the funds. ICWA recorded an overpayment of less than \$10,000 following an early change to a leave agreement. As of 17 July 2023, the overpayment is still outstanding and has been referred to an external debt collection agency that has organised a repayment plan.

All GTEs have an obligation under the *Financial Management Act 2006* to account for public money. Failure to collect all outstanding debt or make repayment arrangements before staff leave increases the risk of financial loss. Entities can minimise this risk of financial loss by reviewing the final termination payment and ensuring all financial assets are returned on the last day of employment. Entities also need to make payment arrangements that comply with section 17D of the *Minimum Conditions of Employment Act 1993* which does not allow employers to withhold money from employees without their consent.

Policy and procedure documents help guide and direct entity staff. They provide a structure for consistency and ensure compliance with regulations and standards. Having incomplete policy and procedure documents makes it hard for entities to align practice with their strategic values and comply with regulations and standards.



### **Risk assessments are not used systematically to manage differing levels of risk posed by staff leaving high integrity positions**

Although all four entities have procedures in place to manage the staff exit process, entities are not formally assessing and documenting the risks created by the circumstances of their exit or their access to sensitive information or critical infrastructure. However, we found that all entities removed access to premises and information systems within 24 hours of the exit date when staff had been terminated for disciplinary or other adverse reasons.

We found one entity completed a risk assessment for a high integrity role. Actions were taken to limit the entity's exposure to risk, such as removal of access and review of the final termination payment, but these did not fully align with all the risks identified. Access to premises was not removed or limited when it was no longer necessary for the employee to attend the premises. We found that this was the only risk assessment conducted in our sample and was not routine.

Risks are most effectively identified and managed with a systematic approach to assessing them. Risk assessments assist entities to identify security implications and tailor approaches to minimise risks to information, assets and finances. An understanding of the risks and having documented procedures to mitigate them allows adjustments of controls to be made in the staff exit process to match the circumstances. For example, controls may need to be adjusted to manage risks or security concerns of staff:

- who are in high integrity positions
- who have access to confidential information
- whose employment contract is terminated due to adverse reasons
- who are subject to a code of conduct investigation.

---

## Recommendations

1. All entities should:
  - a. review policies and procedures for employee terminations
  - b. review staff exits periodically to ensure compliance with policies and procedures.

**Implementation timeframe:** February 2024

**Synergy response:**

Supported.

**DevelopmentWA response:**

Supported.

**ICWA response:**

Supported.

**Pilbara Ports response:**

Supported.

2. To better manage risks posed by different positions and circumstance of exit, all entities should:
  - a. evaluate risk posed by different positions and termination types
  - b. develop and document procedures to manage the risks effectively and efficiently
  - c. communicate the process to key staff in the relevant business functions or areas.

**Implementation timeframe:** January 2024

**Synergy response:**

Supported.

**DevelopmentWA response:**

Supported.

**ICWA response:**

Supported.

**Pilbara Ports response:**

Supported.

3. To minimise the risk of property and information loss entities should:
  - a. ensure access to IT systems is removed or disabled within 24 hours of the exit date
  - b. ensure all assets are returned on the day of exit
  - c. clearly record when the return of assets occurred.

**Implementation timeframe:** December 2023

**Synergy response:**

Supported.

**DevelopmentWA response:**

Supported.

**ICWA response:**

Supported.

**Pilbara Ports response:**

Supported.

4. All entities should consider:

- a. offering interviews to all exiting staff
- b. offering surveys to contractors.

**Implementation timeframe:** December 2023

**Synergy response:**

Supported.

**DevelopmentWA response:**

Supported.

**ICWA response:**

Supported.

**Pilbara Ports response:**

Supported.

The full response to each recommendation from the four entities is at Appendix 2.

## **Response from Electricity Generation and Retail Corporation (trading as Synergy)**

Synergy thanks the OAG for the review and welcomes the findings and recommendations contained in the report. It is pleasing that the report acknowledges that staff exit processes are generally effective and efficient. Synergy is fully committed to implementing recommendations that will strengthen controls over the exit process and will ensure these are completed within the relevant timeframes.

## **Response from DevelopmentWA**

DevelopmentWA recognises the significant importance of an effective staff exit process and implementation of controls to minimise security, asset and financial risks. As such DevelopmentWA values the Auditor General's assessment, particularly highlighting the positive outcomes achieved through its staff exit procedures.

In response to the audit's findings, DevelopmentWA is committed to implementing the recommendations to enhance its staff exit procedures and policies. Notably, DevelopmentWA's practice of revoking information systems and facility access for departing personnel once it becomes unnecessary has been acknowledged.

DevelopmentWA values the efficient execution of its current exit interview procedure and the subsequent utilisation of the feedback to proactively guide improvements in employee recruitment and retention strategies. The organisation remains dedicated to refining its processes and ensuring a seamless and beneficial transition for its staff members.

## **Response from Insurance Commission of Western Australia**

The Insurance Commission acknowledges the findings of this performance audit. The Insurance Commission considers that implementation of the findings will further reduce the risks associated with employees and independent contractors who exit the organisation.

Improvements have been made to our processes since the audit and we are currently testing an automated separation application to enhance our processes and provide improved guidance to employees and managers on the exit process.

## **Response from Pilbara Ports Authority**

Pilbara Ports Authority (PPA) thanks the Office of the Auditor General (OAG) for its thoroughness and consideration of all elements of practice associated with staff exit controls. The discussions what constitutes better practice and the place of guides (versus requirements) within PPA and the OAG was of particular interest, and provoked consideration of changes that will benefit PPA's exit controls.

## Audit focus and scope

The audit assessed whether four entities (Electricity Generation and Retail Corporation (trading as Synergy), DevelopmentWA, Insurance Commission of WA and Pilbara Ports Authority) effectively and efficiently manage the exit of staff from their organisations to minimise security, asset and financial risks. Our key questions were:

- Do entities have appropriate policies and procedures to effectively manage staff exits?
- Do entities comply with policies and procedures?

The audit covered the period 1 March 2022 to 28 February 2023.

In conducting the audit, we:

- reviewed policies and procedures and records for staff exits at the entities
- reviewed OAG financial audit and information systems audit management letters from 2020-21 to 2021-22 financial year
- interviewed key staff responsible for staff exits at the four entities (facilities management, finance, HR, payroll and IT services)
- selected a sample of 30 staff from Synergy, 28 from DevelopmentWA, 28 from ICWA and 27 from Pilbara Ports Authority (including contractors) that had left between 1 March 2022 and 28 February 2023. For each we sought evidence that:
  - termination checklists had been completed before or on the staff exit date and signed by the relevant authority
  - building access cards had been de-activated and/or keys had been collected prior to staff leaving
  - assets issued to staff (computers, tablets, mobile phones, vehicles, housing) were returned
  - credit cards were returned and cancelled, with no transactions occurring after this date
  - access to the entity's IT systems was revoked within 24 hours of their departure
  - an exit interview was offered or conducted
  - final payments reviewed and money owed to the entity was identified and paid at the time of leaving
  - risks posed by departing staff and circumstances of their exit were assessed.

We did not assess termination decisions and whether they complied with the relevant legislation.

This was an independent performance audit, conducted under section 18 of the *Auditor General Act 2006*, in accordance with Australian Standard on Assurance Engagements ASAE 3500 *Performance Engagements*. We complied with the independence and other ethical requirements related to assurance engagements. Performance audits focus primarily on the effective management and operations of entity programs and activities. The approximate cost of undertaking the audit and reporting was \$277,000.

## Appendix 1: Better Practice Guide

Key requirements	
<p><b>Assess and mitigate risks posed by exiting staff</b></p>	<p>Entities should assess the security implication and other risks posed by the exiting staff member. Exiting staff can include those leaving voluntarily or terminated for misconduct or other adverse reasons.</p> <p>Below is a checklist of actions to be considered in a risk assessment:</p> <ul style="list-style-type: none"> <li>• assigning a risk level by considering the reason for leaving (resignation, retirement, termination for corruption or misconduct)</li> <li>• reducing level of access to IT systems</li> <li>• limiting access to entity premises</li> <li>• monitoring accrued leave balance to reduce overpayments</li> <li>• identifying assigned assets (vehicles, mobile phones, laptops etc.) and assess need for immediate collection</li> <li>• removing access to confidential or secret information</li> <li>• consider position within the entity and level of delegated authority over staff</li> <li>• existing financial delegations and purchasing card limit</li> <li>• existing conflicts with staff.</li> </ul>
<p><b>Collect all entity owned property</b></p>	<p>Entities should maintain an updated register of all assets issued to staff when they start and during their employment with the entity. Using information on the register ensures that all entity owned property is returned when staff leave. These include but not limited to:</p> <ul style="list-style-type: none"> <li>• identification badges and name tags</li> <li>• office, cabinet and safe keys</li> <li>• access security passes and swipe cards</li> <li>• computer and other IT equipment - laptops, tablets, storage devices, headsets, mouse and keyboards</li> <li>• mobile phone and charger</li> <li>• vehicle keys, fuel cards and logbooks</li> <li>• cab charges.</li> </ul> <p>Where access security passes and keys are not returned entities should take immediate action to cancel access cards, reprogram or change locks.</p>

Key requirements	
<b>Cancel all access to premises and IT systems</b>	<p>Entities should ensure that exiting staff have their access to entity premises and information systems withdrawn or cancelled immediately when staff leave. These include but not limited to:</p> <ul style="list-style-type: none"> <li>• building (including carpark) access</li> <li>• computer login and network access</li> <li>• changing passwords or access to shared or high privileged accounts</li> <li>• email address</li> <li>• voicemail</li> <li>• remote access</li> <li>• corporate memberships</li> <li>• customer accounts with external organisations.</li> </ul> <p>Where physical exit date and formal termination date differ, risks should be mitigated by removing access on the physical exit date.</p>
<b>Issue reminder of ongoing obligations</b>	<p>Entities should ensure that all exiting staff especially those with access to sensitive or classified information are advised and acknowledge their obligation not to disclose entity information. This helps safeguard entity assets and limit potential for the integrity, availability and confidentiality of sensitive information to be compromised.</p>
<b>Offer exit interview</b>	<p>Entities should offer staff exiting the option of an exit interview. This can be in form of a structured discussion or survey to gauge their perception of working in the entity.</p> <p>Entities should also collate the data, report internally and where relevant act on the findings. Information from exit interviews can help entities assess organisational strengths and vulnerabilities and target workforce management strategies to drive attraction, retention and performance.</p>
<b>Prevent overpayments and recover debt owed</b>	<p>Entities should ensure that they meet their responsibility to recover overpayments and rectify underpayments, while considering the needs and special circumstances of employees.</p> <p>Timely review of payroll information will reduce the likelihood of errors. Overpayments can also be prevented by checking employee leave balances before approval and avoiding late changes to booked leave or working arrangements where possible. Where overpayments occur entities need to make timely payment arrangements in line with section 17D of the <i>Minimum Conditions of Employment Act 1993</i>.</p>
<b>Regularly monitor and review staff exit processes</b>	<p>Entities should periodically review staff exits to ensure that they comply with:</p> <ul style="list-style-type: none"> <li>• entity policies and procedures</li> <li>• better practice.</li> </ul>

Source: OAG, using policies from the Australian Government Protective Security Policy Framework<sup>4</sup>

<sup>4</sup> Department of Home Affairs, *Protective Security Policy Framework*, [protectivesecurity.gov.au](https://protectivesecurity.gov.au), n.d., accessed 8 August 2023.

## Appendix 2: Specific responses to recommendations from audited entities

1. All entities should:
  - a. review policies and procedures for employee terminations
  - b. review staff exits periodically to ensure compliance with policies and procedures.

### **Synergy response:**

- a. Synergy reviews and updates all policies and procedures on a regular basis. Revisions made to exit procedures as a result of this audit will be incorporated into the relevant policies and procedures within the prescribed timeframe.
- b. Additional system workflows are being considered to centralise oversight over exit processes and allow for additional monitoring by HR. In addition, review of the staff exit process is within the scope of the Synergy internal audit programme and is subject to periodic review.

### **DevelopmentWA response:**

Accepted. DevelopmentWA is committed to reviewing policies and procedures as significant HR policies and procedures are updated annually. This recommendation is accepted and a review of the policies and procedures will be undertaken within the recommended implementation timeframe proposed, namely February 2024. DevelopmentWA is also committed to periodically reviewing staff exits in line with the policies and procedures.

### **ICWA response:**

Agreed. The Insurance Commission has commenced a review of all policies and procedures for employee terminations. Policies will clearly specify that access to IT systems is to be removed or disabled within 24 hours of exit date. Staff exits will be periodically reviewed by the Head of Human Resources to ensure compliance with policies and procedures.

### **Pilbara Ports response:**

- a. In line with PPA's Quality Management System, reviews of controlled documents are undertaken as part of a continuous improvement cycle. Where the OAG have identified improvements that can be made, PPA will review policies and procedures.
  - b. PPA has processes to ensure employee and contractor exits are completed in accordance with PPA controlled documents. The OAG has made recommendations to improve interactions between PPA's controlled forms and checklists designed to assist employees carry out their duties that will be implemented.
2. To better manage risks posed by different positions and circumstance of exit, all entities should:
    - a. evaluate risk posed by different positions and termination types
    - b. develop and document procedures to manage the risks effectively and efficiently
    - c. communicate the process to key staff in the relevant business functions or areas.

### **Synergy response:**

The risks associated with different position types/circumstances are considered informally by Synergy and reflected in the exit process. Synergy will formalise this



process and ensure it is documented, incorporated into policies & procedures, and communicated to relevant stakeholders.

**DevelopmentWA response:**

Accepted. DevelopmentWA agrees with the recommendation and proposed time frame. For staff exiting for disciplinary reasons and for those where risks are identified, DevelopmentWA proactively manages exit procedure restricting access, as relevant, during the process. It is accepted to better manage risks posed by different positions and circumstance of exit through:

- a. identification of positions and termination types that pose significant risk; and
- b. develop and document procedures to manage the risks and communicate those to relevant staff in the relevant business units.

**ICWA response:**

Agreed. The Insurance Commission acknowledges the risk involved with separations will vary on a case by case basis. The Insurance Commission will update its procedures to reflect the management of the risks posed by different positions and termination types. The updated procedure will communicated to managers and supervisors.

**Pilbara Ports response:**

- a. PPA considers risks associated with each termination in the context of the employee. Where a termination is required because of poor behaviour, or there is a potential risk associated with information breaches, PPA acts proportionately. Documentation of risk considerations will be added to PPA's termination checklist.
  - b. PPA has procedures in place that identify risks associated with disciplinary investigations and requires that physical and electronic access is removed, and PPA equipment returned as appropriate whilst an investigation takes place. As per R2(a) above, the termination checklist will be updated to document these elements.
  - c. Agreed.
3. To minimise the risk of property and information loss entities should:
- a. ensure access to IT systems is removed or disabled within 24 hours of the exit date
  - b. ensure all assets are returned on the day of exit
  - c. clearly record when the return of assets occurred.

**Synergy response:**

Synergy generally has effective controls in place regarding the termination of employees. Consideration is being given to additional system workflow steps that will enforce completion of the exit process by managers (including extending the workflow process to contractors). Enhanced reporting will also provide HR greater visibility where exit processes remain outstanding. Controls will also be established to initiate exit processes for contractors who leave Synergy prior to their originally agreed date.

**DevelopmentWA response:**

As evidenced by this audit, the practices recommended are already integrated into our existing procedures at DevelopmentWA. The prompt revocation of access and the retrieval of assets within 24 hours are actions we consistently undertake. Additionally, we have recently introduced and operationalised an asset return reporting process, providing a transparent and traceable history of asset returns.

**ICWA response:**

Agreed. The Insurance Commission will review its processes governing the removal or disabling of network access to ensure action is completed within 24 hours of separation date. Managers/Supervisors will be reminded of the importance of ensuring that all assets are returned on the employee or independent contractors last day. This will be enhanced by the planned use of automated workflow for separations including scheduled email notifications. Dates assets are returned will continue to be recorded in the Ascender HR System.

**Pilbara Ports response:**

- a. Agreed.
  - b. PPA provides housing and vehicles to some employees, in remote locations. PPA makes arrangements for assets to be returned. However, this may not coincide with the day of exit. The return of assets post termination is monitored closely and PPA has never lost any asset through this process.
  - c. Based on the report findings, PPA fully meets this recommendation, and it is agreed this will continue.
4. All entities should consider:
- a. offering interviews to all exiting staff
  - b. offering surveys to contractors.

**Synergy response:**

Synergy already offers exit interviews to employees and analyses the feedback provided. Synergy will consider extending exit interviews/surveys to selected contractor positions and incorporating this step into the system workflow.

**DevelopmentWA response:**

Following our current policy and established procedure, we extend exit surveys/interviews to all departing employees and contractors who have been with us for more than three months, when relevant. Consequently, we consider this recommendation to already be an integral part of our process. At DevelopmentWA, we actively leverage the insights and trends gathered from these surveys and interviews to drive enhancements within the workplace.

**ICWA response:**

Agreed. The Insurance Commission will promote the benefits to managers/supervisors on offering exit interviews to all employees who cease employment. The Insurance Commission does not engage a large number of independent contractors and will consider offering exit surveys within that context.

**Pilbara Ports response:**

- a. PPA offers staff exit surveys to all employees voluntarily exiting the business. Which is undertaken by an independent 3<sup>rd</sup> party, unless the employee prefers an internal interview.
- b. As noted in the report, PPA is not highly reliant on contractors and plans with the contracted entities for feedback. It is not intended to offer individual exit surveys to contractors.

## Auditor General's 2023-24 reports

Number	Title	Date tabled
4	Staff Exit Controls for Government Trading Enterprises	13 September 2023
3	Financial Audit Results – Local Government 2021-22	23 August 2023
2	Electricity Generation and Retail Corporation (Synergy)	9 August 2023
1	Requisitioning of COVID-19 Hotels	9 August 2023

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Office of the Auditor General  
for Western Australia



Report 3: 2023-24 | 23 August 2023

**FINANCIAL AUDIT RESULTS**

# Local Government 2021-22



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Western Australia**

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***The Office of the Auditor General acknowledges the traditional custodians throughout Western Australia and their continuing connection to the land, waters and community. We pay our respects to all members of the Aboriginal communities and their cultures, and to Elders both past and present.***

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WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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**Financial Audit Results –  
Local Government 2021-22**

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Report 3: 2023-24  
23 August 2023

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**THE PRESIDENT  
LEGISLATIVE COUNCIL**

**THE SPEAKER  
LEGISLATIVE ASSEMBLY**

**FINANCIAL AUDIT RESULTS – LOCAL GOVERNMENT 2021-22**

Under section 24 of the *Auditor General Act 2006*, this report summarises the final results of our annual audits of 146 of 148 local government entities for the year ended 30 June 2022 and the 16 remaining audits from 30 June 2021.

I wish to acknowledge the assistance provided by the councils, chief executive officers, finance officers and others, including my staff and contract audit firms, throughout the financial audit program and in finalising this report.

A handwritten signature in black ink, appearing to read 'C Spencer'.

CAROLINE SPENCER  
AUDITOR GENERAL  
23 August 2023

## Contents

Auditor General's overview.....	7
2021-22 financial audits at a glance .....	8
Executive summary .....	10
Review of the 2021-22 financial year.....	10
Introduction .....	12
Recommendations.....	14
Summary of audit opinions .....	15
Ten qualified audit opinions for 2021-22.....	15
Seventeen entities received emphasis of matter paragraphs.....	17
Material uncertainty related to going concern .....	17
We issued 224 audit certifications .....	17
Reporting requirements.....	18
Review of financial reports submitted for audit .....	20
Audit differences .....	20
Best practice entities .....	22
Recommendation .....	23
Control weaknesses .....	24
Control environment.....	24
Financial and management controls.....	25
Recommendation .....	30
Information system controls.....	31
Recommendation .....	31
Financial reporting, accountability and audit matters.....	32
Valuation of assets.....	32
Recommendation .....	32
Reconciliations .....	33
Approval and support for journals.....	33
Recognition or assessment of rehabilitation provision .....	33
Prior year adjustments were again reported for several entities .....	34
Key financial transactions that required additional audit effort .....	34

Unusual items of interest.....	35
Other changes to accounting standards .....	35
Impact of emergencies .....	36
Opportunities for the DLGSC to improve support of the local government sector .....	37
Recommendation .....	38
Response from the DLGSC.....	39
Local government regulation amendments.....	40
Recommendation .....	40
Response from the DLGSC.....	40
Appendix 1: Status and timeliness of audits .....	41
Response from the Shire of Narrogin .....	47
Appendix 2: 2020-21 disclaimers of opinion .....	48
Appendix 3: 2021-22 qualified opinions.....	49
Appendix 4: Emphasis of matters paragraphs included in auditor's reports .....	52
Appendix 5: Material uncertainty related to going concern .....	54
Appendix 6: Certifications issued.....	55
Appendix 7: Other opinions and certifications issued since 22 December 2022 .....	60
Appendix 8: Completion of 2020-21 local government entity audits .....	61

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## Auditor General's overview

This report summarises the results of our annual audits of 146 of 148 local government entities for the year ended 30 June 2022 and the 16 remaining audits from 30 June 2021.

For the 2021-22 audit cycle, the increase in financial management and information system control weaknesses we noted in the State government sector was also mirrored in the local government sector, resulting in an increase in significant findings and modified opinions.



Timeliness, and the cost of delays, also remain a concern. While more entities received their audit opinions by the legislated deadline than in 2021, the improvement was marginal, with 39% not finalised by the end of December 2022. By 31 March this year, more than a quarter of local government entities still had not finalised their financial reports to an acceptable standard or provided all relevant information. Timely financial reporting is important for accountability and transparency to stakeholders.

I made the decision to impose a hard line, requiring entities to complete their financial reports, and us their audits, by 18 April. This gave entities one final chance to provide us with the necessary information before receiving an audit opinion, and many responded positively. Even though this resulted in additional qualified opinions, it was a truer reflection of the state of the local government sector and allowed us all to move on from the 2022 year.

Where financial statements and supporting documents and systems are well organised, the audit process can be efficient, reducing time and cost to the entity and ratepayers. But too often we find incomplete information, reconciliations not performed, problems not addressed and staff unavailable or inexperienced. This results in delays and higher costs to both the entity and the auditors as remedial work that could have been avoided by good practices and preparation becomes, instead, part of the audit process.

We expect all entities to have their financial statements completed and audited by the end of December of the relevant audit cycle. To help them, we recently issued a better practice guide on audit readiness and published an Audit Readiness Tool on our website to assist public entities avoid delays and modified opinions. The Department of Local Government, Sport and Cultural Industries has also engaged tangibly with financial accountability issues, including by releasing model financial statements that work with new regulations gazetted on 30 June 2023 to support appropriately reduced reporting for some entities. I expect these initiatives to have a positive impact on the next audit cycle.

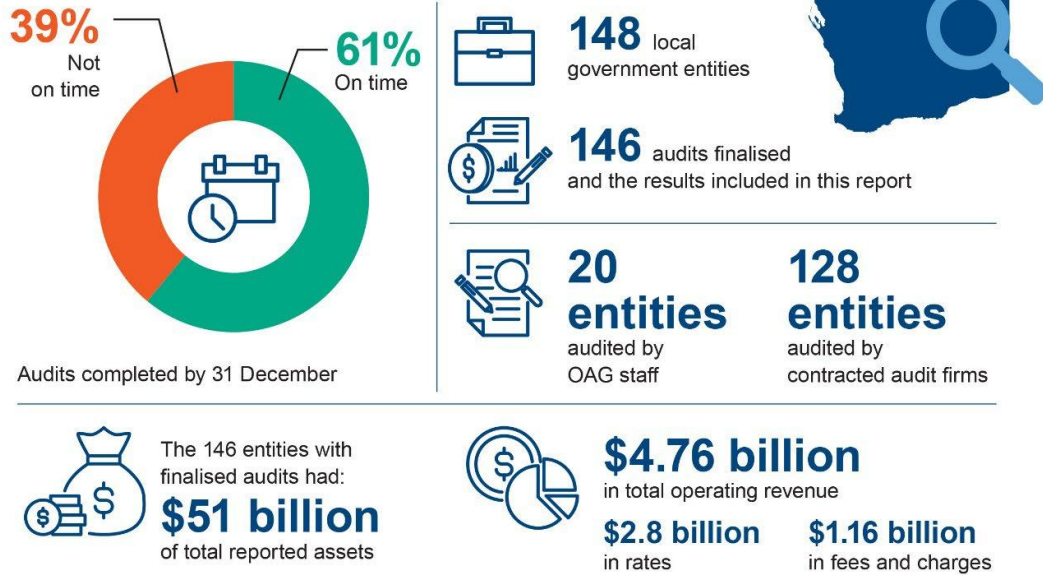
Our engagement with the sector is not all one way. We value feedback on our work and I have appreciated the opportunity to discuss, with both Local Government Professionals WA and the Western Australian Local Government Association, the outcomes of their 2022 survey of the sector. We welcome the feedback around timing and the resource effort required for audits and the resulting cost impacts as well as the positive feedback from many local government entities who understand the benefit of a robust audit process.

This is also the first year we have recognised and reported on the top 20 local government entities achieving best practice for 2021-22. I congratulate these entities for their commitment to timely and quality financial reporting to their communities. I particularly acknowledge and commend the number of regional shires that have made this inaugural list, given the extent of resource and labour constraints that can disproportionately affect our regions.

Finally, I want to recognise my hardworking staff, our contract audit firms and staff in the audited entities. Thank you for your dedication to the 2022 audit process. Your professionalism and cooperation in working through challenges to complete the audits is appreciated. With a continued focus of working together, I am confident we can create a smoother, more efficient and timely audit process for the benefit of all for 2023 and beyond.

## 2021-22 financial audits at a glance

### Auditing local government



### Timeliness of financial reports

(page 41)

#### Timeliness of original submission (unaudited)

- Submitted to OAG by 30 September
- Received an extension and met deadline
- Did not meet 30 September or extension deadline



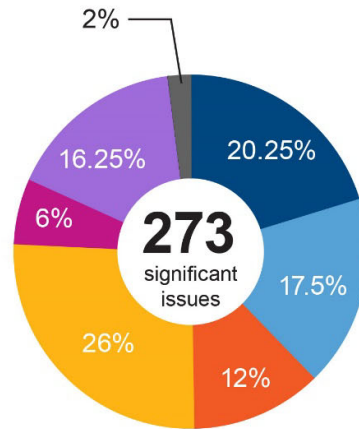
### Audit results



**880** management control issues  
(page 25)

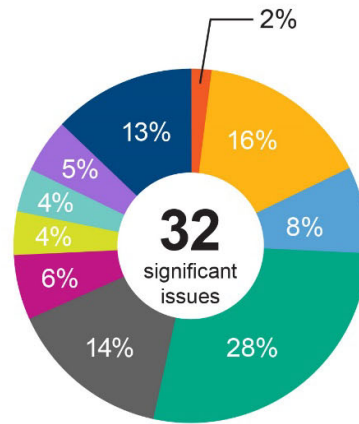
During 2021-22, we alerted 137 entities to control weaknesses that needed their attention. Two hundred and seventy-three were rated as significant, 465 moderate and 142 minor.

- Expenditure
- Accounting procedure
- Payroll and human resources
- Asset management
- Revenue
- Governance
- Other



**334** information system control weaknesses  
(page 31)

- Risk management
- Information security framework
- Human resource security
- Access management
- Endpoint security
- Network security
- Physical security
- Change management
- IT operations
- Business continuity



**Issues impacting entity reporting**



Valuation of assets  
(page 32)



Reconciliations  
(page 33)



Approval and support of journals  
(page 33)



Key financial transactions that required additional audit effort  
(page 34)



Other changes to accounting standards  
(page 35)

## Executive summary

### Review of the 2021-22 financial year

The 2021-22 financial year continued to see financial reporting challenges across the local government sector. Our audits continue to bring greater rigour, scrutiny and sector wide improvements, with many local government entities responding positively to these challenges.

This is the first year that we are recognising the entities who have demonstrated best practice in financial reporting in the sector. This recognition is consistent with what we report for the State and tertiary sectors. Our best practice assessment criteria include:

- good quality financial reports submitted for audit within the agreed timeframe and supported by reliable working papers
- management resolution of accounting standards and presentation issues
- availability of key staff during the audit process.

Top entities recognised for the 2021-22 financial year, outlined at page 22 are to be congratulated for their efforts and this achievement.

### Outstanding issues

We continue to work with local government entities to improve timeliness and audit quality, and are pleased to report that slightly more local government entities received their audit report by the end of December 2022 (61%) in accordance with regulatory requirements than in the previous year (58%). However, these improvements are slower and less than our office and entities would like or need.

Audit year	2017-18	2018-19	2019-20	2020-21	2021-22
Number of entities subject to OAG audit	46	112	132	148	148
Clear (unqualified) audit opinions	44	107	129	142 (130)	136**
Qualified opinions	2	5	1	3 (2)	10**
Disclaimers of opinion	0	0	2	3 (0)	0**
Material matters of non-compliance	36	93	101	262 (193)	N/A*
Management control issues	198	802	704	739 (601)	880**

Source: OAG

\* Material matters of non-compliance were not required to be reported in 2021-22.

\*\* Two 2021-22 audits are ongoing and therefore these results are for 146 entities only.

Note: Number in brackets indicate previous year reporting. Unbracketed numbers include the 16 entities which were outstanding at the time of tabling the 2021 report.

**Table 1: Audit results for the past five years**

The users of financial statements, including ratepayers, deserve and have a right to expect their local government entities to acquit their financial responsibility in a timely manner and in accordance with regulatory requirements. Timely reporting is essential, as it should be



informing rate-setting and other budgetary aspects amongst other matters, as well as ensuring accountability of the entity, its executive and councillors.

This year we drew a line in the sand with the 41 outstanding local government financial audits that had not been completed by 31 March 2023, notifying them of one last chance to provide us with the necessary information before we issued our audit opinion. Many of these remaining entities had:

- outstanding valuations for property, plant and equipment
- poor record keeping practices that delayed providing information for audit
- staff turnover of experienced finance staff during crucial times in the financial year or key staff not available to respond to audit queries either due to leave or competing operational requirements.
- numerous errors in financial statements and disclosure requirements outstanding or not being met
- key reconciliations remaining outstanding
- not responded to our queries as timely as necessary.

The hard line initiative was taken to improve timeliness, with a deadline of 18 April 2023 introduced to stem further delays in financial reporting and refocus entities' and our Office's attention to closing out the 30 June 2022 audit cycle so we could all move on. Twenty-five entities were able to close out their financial reporting obligations, with 16 entities remaining outstanding at the designated date, with that number now whittled down to two.

It is clear from this data that the dedicated effort on implementing the hard line resulted in improved financial reporting timeliness. It is also clear that there is now greater awareness and understanding by local government entities of the rigour demanded in our audits. Where there is greater willingness to engage with the audit process, this is translating to more timely financial reporting. We all have a role to play in seeing improvement in the quality and timeliness of financial reporting and assurance. We have seen the sector reflect on the need to improve timely transparency and discharge governance duties, and we support the sector's willingness to adopt better practice.

To ensure timely and accurate financial reports it is important that management in each reporting entity keeps proper accounts and records. Management should perform appropriate oversight reviews of systems and processes throughout the financial year.

To assist all public entities in this regard, we have prepared an *Audit Readiness – Better Practice Guide*, which is also available online on our website. This is in addition to our other better practice guides on preparing financial statements and audit committees, among others. We strongly encourage entities to access and use these guides.

### Where to from here

There is still a journey ahead, but we are committed to working with entities, the Department of Local Government, Sport and Cultural Industries (DLGSC) and sector associations towards improvement in the sector, and in our own processes, to aid timely reporting to the community and Parliament.

We have advocated for, and supported, regulatory reform initiatives by the DLGSC and welcome the introduction of model financial statements and regulatory amendments gazetted on 30 June 2023 allowing tiered reporting across the sector. This is a further step in providing relief to smaller local government entities by allowing reduced disclosure for

entities classified as Class 3 and 4. The changes apply to the year ended 30 June 2023 and onwards, allowing entities to focus their reporting on areas of importance.

For the 30 June 2023 audit cycle, we have asked entities across the public sector, including local government entities, to provide a signed set of financial statements to the auditors before the final audit begins. This is to ensure the entity has performed its own internal quality review of the financial statements and formally recognises that their financial statements are complete and ready for audit. We expect local government entities to meet their legislative requirements and have their audit opinions signed prior to the end of December. We are committed to doing our bit to ensure this occurs.

We continue to advocate for clarity on measurement of fair value of land, buildings and infrastructure assets by the DLGSC. Differing assumptions underlying the valuation of these assets make results hard to compare and have significant time and cost implications for the sector, including the OAG. We also recognise that, despite best efforts by many local government entities, securing a valuation expert has been challenging in the current market.

For 2021-22, OAG staff performed 20 audits in-house, with the other 128 performed by contract audit firms on our behalf. We expect to increase the number of in-house audits over time. However, a large proportion will continue to be performed by our accredited contract audit firms. These are periodically re-tendered to provide open and fair competition and to ensure value for money. Like many professional services, our costs have increased and, as a cost recovery agency, we have little choice but to pass these on. The measures we have outlined above to improve the quality of financial reporting, should improve the efficiency, and therefore contain the cost, of assurance over time.

## Introduction

This report contains findings from our 2021-22 financial audits of the local government sector. It includes the results for 146 of the 148 entities (Appendix 1), with the remaining two entities' results to be tabled in Parliament once their audits are completed. This report also includes the results of the 16 local government audits that were outstanding from the 2020-21 year at the time that year's results report<sup>1</sup> was issued (Appendix 8).

Our annual financial audits focus on providing assurance over an entity's financial report. The Auditor General provides an opinion on the report which can be:

- clear – this indicates satisfactory financial controls and that the financial report is based on proper accounts, presented fairly, complies with relevant legislation and applicable accounting standards, and fairly represents performance during the year and the financial position at year end
- clear with an emphasis of matter – this brings attention to a matter disclosed in the entity's financial report, but which is not significant enough to warrant a qualified opinion
- qualified – these opinions are given when the audit identifies that the financial report is likely to be misleading to users, controls were inadequate or there was a material conflict with applicable financial reporting frameworks
- disclaimer of opinion – issued when the auditor is unable to form an opinion due to insufficient evidence being available. This is the most serious audit opinion and is only issued after we have exhausted our efforts to achieve the desired audit objectives.

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<sup>1</sup> Office of the Auditor General, [Financial Audit Results - Local Government 2020-21](#), OAG website, 17 August 2022, accessed 21 August 2023.

During an audit we also make recommendations to entities on relevant matters of compliance, financial management and information system controls. A summary of our findings is included in this report.

Also included are matters we have noted which have or may impact an entity's financial report. This year this includes complexities encountered on the valuation of assets, timely completion of reconciliations, approval and support for journals and ongoing matters on how entities account for the rehabilitation of landfill sites.

The appendices include other opinions and certifications issued for the State, local government and tertiary education sectors since our most recent results report<sup>2</sup>.

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<sup>2</sup> Office of Auditor General, [Financial Audit Results – State Government 2021-22 – Part 3: Final Results](#), OAG website, 30 June 2023, accessed 21 August 2023.

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## Recommendations

1. We again encourage entities to make use of OAG better practice guidance to improve quality and efficiency in annual financial reporting and assurance, including our:
  - a. *Western Australian Public Sector Financial Statements – Better Practice Guide*
  - b. *Audit Readiness – Better Practice Guide*, with online tools available at [audit.wa.gov.au](http://audit.wa.gov.au). Particularly Tool 16: Financial report checklist – Local government which provides an overall quality assurance checklist that is useful to local government entities prior to submitting financial statements for audit (page 23).
2. Local government entities should ensure the integrity of their financial control environment is maintained by:
  - a. ensuring control weaknesses identified by audit and other review mechanisms are addressed promptly
  - b. creating a culture of compliance with systems of control being regularly reviewed
  - c. regularly reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures. These should be communicated to staff with effective training programs implemented to support understanding of these
  - d. conducting reviews and assurance engagement to improve systems of internal control in line with periodic risk assessments
  - e. maintain currency with new and revised accounting standards for their impact on financial operations in order to prepare a compliant financial report at year end (page 30).
3. We encourage entities to use the case studies and recommendations in our *Information Systems Audit – Local Government 2021-22* to assess and enhance general computer controls within entities information system environments (page 31).
4. The DLGSC should provide guidance to assist entities with understanding the requirements of and interpreting the Australian Accounting Standards Board (AASB) accounting requirements to ensure greater accounting consistency across the sector, including application of AASB 13 *Fair Value Measurement* (page 32).
5. The DLGSC should consider environmental, social and governance reporting requirements as applicable and provide clarity to the local government sector for future reporting purposes (page 38).
6. The DLGSC should continue to work with local government stakeholders to ensure regulatory reform and support model financial accounts to ensure they remain relevant and appropriate for the sector for the 2023-24 financial year and beyond. Any learnings or further amendments that may be needed should be well considered and promptly applied (page 40).

## Summary of audit opinions

For the financial year ending 30 June 2022 we issued clear auditor's reports for 136 entities by 30 June 2023. Ten audit opinions were qualified, while we included emphasis of matter paragraphs in the audit reports of 17 entities.

The auditor's report includes:

- the audit opinion on the annual financial report and
- other matters the auditors deem necessary to highlight.

Under the *Local Government Act 1995*, an entity's chief executive officer (CEO) is required to publish its annual report, including the audited financial report and the auditor's report, on the entity's website within 14 days of the annual report being accepted by the entity's council. Appendix 1 outlines the date we issued each entity's 2021-22 auditor's report.

We also finalised the 2020-21 auditor's report for 16 entities. This included three disclaimers of opinion (Appendix 2). Two of these, the Shire of Wiluna and the Shire of Yalgoo, were reported last year. This year we also issued a disclaimer of opinion for the Shire of Toodyay for 2020-21. There were no disclaimers of opinion for 2021-22 (noting, however, that there are still two entities to finalise their 2021-22 financial statements).

## Ten qualified audit opinions for 2021-22

In 2021-22, 10 entities received a qualified audit opinion (Appendix 3), an increase from the three qualifications the previous year. This is equally reflected in a decrease in the total number of clear opinions from 142 to 136 even though more audits have been finalised in a slightly timelier manner – a likely consequence of the ongoing resourcing constraints experienced throughout the sector and the state of record keeping.

We issue a qualified opinion in our auditor's report if we consider it necessary to alert readers to material inaccuracies or limitations in the entity's financial report that could mislead readers.

Matters resulting in audit qualifications in 2021-22 primarily concerned asset valuations (eight out of 10 qualified opinions). These included either failure to revalue assets as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 for a number of years, or failure to do so regularly enough. This meant we as auditors could not verify asset values sufficiently and were unable to determine if there may be any consequential impact on the financial statements. In one case, an entity's management indicated that there were gaps in their control processes and they were not confident with the overall completeness of their fixed asset register.

## Audits in progress

The two audits still being finalised for 2021-22, the Shire of Toodyay and Shire of Yalgoo, may result in modified opinions. Generally, audits in progress relate to entities:

- having more significant or complex issues to be resolved from a financial reporting and auditing perspective
- not having the in-house expertise needed to adequately manage their financial reporting.

While some entities collaborate and seek help to overcome these issues, this is often informal, ad-hoc and not as timely as we would prefer.

## Non-accredited valuation contractors and their impact on local government financial reporting

As was the case last year, a recurring theme of local government audit qualifications is problems with asset valuations. Certain valuation contractors currently engaged by local government entities may not possess the necessary valuer accreditation for conducting valuations for financial reporting purposes. This raises concerns about the accuracy and reliability of valuations.

Valuer accreditation serves as a vital benchmark of competence and expertise in the valuation process. It helps ensure that professionals possess the required skills, knowledge and ethical standards to conduct valuations accurately and in accordance with Australian Accounting Standards and local government regulations. By employing non-accredited valuation contractors, local government entities run the risk of compromised valuations, inaccuracies in financial reporting and increased challenges during audits. These issues may result in serious consequences, including reputational damage, financial discrepancies and potential legal ramifications.

To safeguard the integrity of financial reporting, we join the DLGSC in encouraging local government entities to undertake the following steps:

1. review all valuation contractors currently engaged by your entity
2. verify each contractor possesses appropriate valuer accreditation
3. consider implementing a formal policy requiring valuer accreditation as a prerequisite for engaging valuation contractors in the future. Also, consider including a requirement that the valuer should state in their valuation report that the valuation is in accordance with Australian Accounting Standards, for financial reporting purposes and relevant local government regulations
4. communicate the importance of accreditation to all relevant stakeholders, emphasising its impact on financial reporting, auditing processes and the overall transparency of the sector.

Furthermore, we are very pleased that in July 2023, DLGSC issued guidance for fair value measurement of non-financial assets for local governments. To achieve greater consistency across local governments, DLGSC's advice is that land should be valued using the market approach in AASB 13 *Fair Value Measurement*, plus, if the land has any public sector restrictions (including from current use for community purposes) over it, the restrictions must be considered when valuing the land. This should help overcome problems that our Office has previously identified with wildly fluctuating valuations provided by different valuers either taking or not taking restrictions into account, whether that be at the next valuation interval or for jointly-owned assets.<sup>3</sup>

We understand the DLGSC is presently considering further regulatory reform which is intended to substantially improve the current scenario. If such changes are introduced, it is anticipated they will yield substantial long-term benefits, ensuring the accuracy and comparability of financial information and minimise risks associated with audits.

Where valuers are accredited but do not state that their valuation is in accordance with Australian Accounting Standards, the local government entity should ensure there is a review undertaken by an experienced professional (in-house or external of the local government) to attest to compliance with Australian Accounting Standards.

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<sup>3</sup> Office of the Auditor General, [Financial Audit Results - Local Government 2020-21](#), OAG website, 17 August 2022, accessed 21 August 2023.

## Seventeen entities received emphasis of matter paragraphs

Under Australian Auditing Standards, if a matter is appropriately presented or disclosed in the financial report, but in our judgement is of such importance that it should be drawn to readers' attention, we may include an emphasis of matter (EoM) paragraph in our auditor's report.

In 2021-22, 17 EoM paragraphs have been included. Positively, this is a significant decrease from 31 EoM paragraphs in 2020-21 and is reflective of a continued improvement of underlying records in some entities. This year, EoM paragraphs bring to the reader's attention:

- restatements of comparative figures or balances (13 entities) (2020-21: 13 entities)
- the basis of accounting used by the entity (three entities) (2020-21: seven entities)
- revaluation on infrastructure assets (one entity).

A full description of these matters is at Appendix 4.

## Material uncertainty related to going concern

Under Australian Auditing Standards, we consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern. We may include a paragraph in our auditor's report to bring the matter to the reader's attention.

In 2021-22, this applied to the Bunbury-Harvey Regional Council (Council). The going concern issue arose due to a liability for the capping of a landfill that would, if it eventuates, use all reserves while there was an accumulated deficit at 30 June 2022.

Appropriate disclosures were included in the Council's financial statements about this matter and our audit report draws readers' attention to these disclosures.

## We issued 224 audit certifications

In addition to the auditor's report on annual financial statements, we also conduct audit work to certify other financial information produced by entities. These audit certifications enable entities to meet the conditions of State or Australian Government funding or specific grant requirements or legislation (i.e. 'acquittals'). Our audit certification of these statements may be required for ongoing funding under existing agreements or to apply for new funding.

For the 2021-22 audit cycle we were responsible for conducting 141 certifications for the Local Roads and Community Infrastructure Program (LRCI). The \$3.25 billion Australian Government funded program supports entities to deliver priority local road and community infrastructure projects across Australia.

We were also responsible for conducting 139 certifications for the Road to Recovery Program (RtR). From 2019-20 to 2023-24 the Australian Government has committed \$2.6 billion to this program supporting the construction and maintenance of local road and infrastructure assets.

Under both the LRCI and RtR programs, funded entities were required to provide the Australian Department of Infrastructure, Transport, Regional Development, Communications and Arts with an audited 2021-22 annual report by 31 October 2022. This must be audited by an appropriate auditor. Under the *National Land Transport Act 2014*, our Office is the appropriate auditor given entities' accounts are required by law to be audited by the Auditor General of a State. As at 30 June 2023 we had issued 212 certifications relating to these programs:

- 121 (86%) local government entities eligible for LRCI funding in WA did not meet the 31 October 2022 reporting deadline
- 86 (62%) local government entities eligible for RtR funding in WA did not meet the 31 October 2022 reporting deadline.

At 30 June 2023 there were 48 LRCI and 20 RtR 2021-22 certifications still outstanding of the 280 certifications required to be completed.

Local government entities need to improve accountability and more promptly and fully acquit their responsibilities for funding they have received to improve access and infrastructure across our State.

Appendix 6 lists the 212 LRCI and RtR certifications, and 12 other certifications issued for 2021-22 as at 30 June 2023.

## Reporting requirements

Each entity is required to prepare an annual financial report that includes:

- a Statement of Financial Position, Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity and Statement of Cash Flows
- a Rate Setting Statement
- other note disclosures such as trading undertakings and major land transactions.

Timeliness of financial reporting and audit preparedness continues to be an issue, leading to delays in finalising the audit process. Ninety-one (61%) entities had opinions issued prior to 31 December 2022. This year has seen marginal improvements from the previous year, with opinions for 41 (28%) entities still outstanding at the end of March.

To tackle this issue, the Auditor General sent a communication to relevant CEOs on 31 March 2023 conveying the following:

As you would be aware, local government financial audits are legislated to be completed by 31 December. We have been working with entities, including yours, beyond this date to endeavour to resolve issues that have been delaying audit completion and to facilitate clear audit opinions wherever possible. However, this approach has resulted in excessively long delays. To uphold our auditor reporting obligations, we have decided to issue all outstanding local government financial audit opinions within the next few weeks. Your OAG engagement leader will contact you to discuss what this means for your entity.

We may not be able to attend all audit committee or general council meetings prior to issuing our audit opinions. However, audit exit meetings will occur as normal, and we can provide additional briefings at your council or committee meeting after our auditor's report is issued. Entities that are close to finalising their financial report may not be impacted by this accelerated approach.

We acknowledge that this approach may result in additional modified audit opinions (including qualifications) across the sector, however we are comfortable that this will more accurately reflect the status of the sector overall and challenges in individual entities. Moreover, it will allow local government entities to discharge their financial reporting responsibilities to ratepayers in a timelier way than if we continue to wait for entities to be available to provide access to necessary staff and information. This approach will also allow our audit staff, contract audit firms and local government employees time to prepare for and appropriately focus on the forthcoming year end reporting requirements.



We did not take this decision to implement a hard line for the sector, requiring completion of the outstanding financial statements by 18 April 2023, lightly. It was a very considered decision, acknowledging it would have some challenging implications in the short-term. However, medium and longer-term benefits should emerge in due course.

From now on, the Auditor General will require entities to have financial statements signed and provided to auditors prior to starting the final audit. Entities need to be mindful of legislative requirements to close out audits by the end of December and of the importance of timely reporting back to ratepayers. To help with this, the Office tabled an *Audit Readiness – Better Practice Guide*<sup>4</sup> and an online Audit Readiness Tool on the 30 June 2023. Using the better practice guide and tool will aid in:

- developing a full and complete set of financial statements
- providing working papers that align with financial records and amounts reported within the financial statements
- work papers that support balances and judgements applied in the preparation of the financial statements
- completed and independently reviewed reconciliations
- early identification and resolution of accounting issues
- being audit ready within the agreed timeframes
- a more efficient and timely audit process.

We continue to also build on our local government knowledge and hold training sessions where our staff along with staff of contract audit firms are invited to attend. These steps are to ensure our knowledge of the sector remains current and we deliver value to the sector and more seamless audits between our Office and contract audit firms.

In addition to our own surveys, we have listened to the results of the survey performed by LG Professionals WA and Western Australian Local Government Association (WALGA). We acknowledge further work is required and consider the initiatives above will help to address concerns raised by the sector in the areas of:

- improving financial reporting timeframes and reducing delays
- reducing additional workload on local government staff through the audit process
- audit cost containment
- continue improving the consistency of advice between our Office and contract audit firms.

The survey also highlighted several positive outcomes in the following areas:

- preparation and timeframes for preparing for the audit was appropriate
- audit staff had adequate local government knowledge to assist in performing audits
- audit staff conducted themselves professionally
- largely consistent advice received between our Office and contract audit firms and
- audit results were presented in an appropriate manner.

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<sup>4</sup> Office of the Auditor General, [Audit Readiness - Better Practice Guide](#), OAG website, 30 June 2023, accessed 21 August 2023.

DLGSC has also released model financial statements that provide for tiered reporting. Local government entities meeting the classification of Class 3 and 4 will be able to adopt reduced reporting for the current financial year ended 30 June 2023, with supporting regulations gazetted on 30 June 2023. This will assist in reducing the complexity of financial reporting and help with resource constraints in the regions.

## Review of financial reports submitted for audit

### Audit readiness and timeliness

Appendix 1 shows only 85 of 148 entities were audit ready with complete auditable financial statements by the statutory deadline of 30 September or extensions granted by the DLGSC.

Being audit ready is more than simply providing a draft set of financial statements to the auditors. It means having full and complete financial statements (including disclosures notes). While we understand that the demands and expectations of finance staff are quite significant, working papers to support balances and judgements within these statements need to be prepared before the audit starts. This includes completed reconciliations (e.g. assets/bank/leave etc.) for every month of the year.

In many entities, considerable work had to be carried out after financial statements had been submitted for audit. In two cases, the final version of financial statements submitted for signing was the 17<sup>th</sup> version. Lack of audit preparedness can give rise to a concern that entities may rely on the audit process to finalise their statements rather than have them ready for audit when due. Over reliance on the audit process carries the risk of compromising the independence and the importance of the audit process.

Nine entities experienced significant delays in submitting their financial statements. Their agreed date for financial statement submission was 2022 but they were not provided until 2023. Five of these entities had agreed to provide their financial statements by 30 September 2022, with a small number (three of the nine entities) not being provided until after March 2023.

### Audit differences

When it comes to preparing financial statements, audit differences (errors identified by the OAG) are an indication of the robustness of an entity's processes in preventing errors. An excessive number of audit differences can also impact the overall timeliness and efficiency of the audit.

An audit difference is a variance between what an entity should have and what it did report, present or disclose. An entity can choose to correct the audit difference (adjusted) or leave it (unadjusted). If an audit difference is material, then we will ask the entity to adjust and if they do not we will consider modifying our audit opinion. Entities generally make the audit adjustment.

The values reported in Table 2 are the aggregate values of adjusted differences identified by our audit teams and contract audit firms. This is the first year we have externally reported this information.

In 2021-22, 91 entities adjusted 335 audit differences.

Value	Number of audit differences 2021-22	Nominal value
Less than \$250,000	190	\$13,110,058
\$250,000 to \$500,000	37	\$12,716,713

Value	Number of audit differences 2021-22	Nominal value
\$500,000 to \$1 million	27	\$19,674,037
\$1 million to \$5 million	46	\$107,775,172
\$5 million to \$15 million	20	\$165,592,032
\$15 million to \$30 million	6	\$130,926,884
\$30 million to \$50 million	3	\$120,872,343
\$50 million and greater	6	\$1,042,861,809
<b>Total number and value of differences</b>	<b>335</b>	<b>\$1,613,529,048</b>

Source: OAG

**Table 2: Adjusted audit differences for entities in 2021-22**

Positively, there were 55 entities<sup>5</sup> that had no adjusted audit differences, indicating that the accounting records were complete, reliable and that they were appropriately audit ready. For 91 entities though, there were a combined total of 335 discreet adjusted audit differences. This represents an average of 3.7 per entity. Of these, 27 entities had five or more adjustments and four entities had 10 or more. The highest number of adjustments for a single entity was 14.

Whilst audit adjustments are not uncommon, any more than five, under normal circumstances, should be viewed as a red flag.

In comparison, the number of adjusted audit differences across the 132 State government entities in 2021-22 only totalled 137 (an average of approximately one audit difference per entity)<sup>6</sup>, reinforcing our view that there is significant room, and need, for improvement across the local government sector in financial reporting.

Of the 335 audit differences adjusted by local government entities, 81 (24%) were greater than \$1 million, which compares favourably with 51% for the State sector.

The common areas across local government entities where adjusted audit differences were identified included:

- asset classifications, fair values and asset record keeping
- incorrect recognition of expenses, liabilities and provisions (e.g. rehabilitation)
- incorrect revenue recognition.

In 2021-22, we identified 132 unadjusted audit differences across 58 entities.

Value	Number of audit differences 2021-22	Nominal value
Less than \$250,000	112	\$9,475,712
\$250,000 to \$500,000	10	\$3,539,846
\$500,000 to \$1 million	3	\$1,655,287
\$1 million to \$5 million	5	\$10,375,239

<sup>5</sup> Two entities still outstanding for 2021-22 reporting period.

<sup>6</sup> Office of the Auditor General, [Financial Audit Results – State Government 2021-22 – Part 3: Final Results](#), OAG website, 30 June 2023, accessed 21 August 2023.

Value	Number of audit differences 2021-22	Nominal value
\$5 million to \$15 million	1	\$7,922,800
\$15 million to \$30 million	1	\$17,700,000
\$30 million to \$50 million	0	0
\$50 million and greater	0	0
<b>Total number and value of differences</b>	<b>132</b>	<b>\$50,668,884</b>

Source: OAG

**Table 3: Unadjusted audit differences for entities in 2021-22**

The common areas where unadjusted audit differences were identified included primarily the same as those noted above.

## Best practice entities

This is the first year we have rated entities on their financial reporting and financial controls, though we have been reporting on this for the State sector for many years. The quality of financial reporting is measured against five criteria:

- timeliness of financial statements
- quality of financial statements and notes
- quality of working papers
- resolution of accounting issues
- availability of key staff.

Of the 148 entities, 85 were scored audit ready, representing 57% of all local government entities and signalling room for improvement.

Most noteworthy is the number of regional shires that have made the better practice list. We commend all those who have made this inaugural list and trust others will now be inspired to strive to compete for inclusion.

Best practice top 20 entities			
City of Albany	Murchison Regional Vermin Council	Shire of Dumbleyung	Shire of Murray
City of Greater Geraldton	Shire of Boddington	Shire of Gingin	Shire of Pingelly
City of Melville	Shire of Bridgetown-Greenbushes	Shire of Jerramungup	Shire of Wagin
City of Swan	Shire of Cranbrook	Shire of Donnybrook-Balingup	Shire of Waroona
Eastern Metropolitan Regional Council	Shire of Cue	Shire of Mingenew	Shire of Wongan-Ballidu

Source: OAG

**Table 4: Best practice entities for 2021-22**

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## Recommendation

1. We again encourage entities to make use of OAG better practice guidance to improve quality and efficiency in annual financial reporting and assurance, including our:
  - a. *Western Australian Public Sector Financial Statements – Better Practice Guide*
  - b. *Audit Readiness – Better Practice Guide*, with online tools available at [audit.wa.gov.au](http://audit.wa.gov.au). Particularly Tool 16: Financial report checklist – Local government, which provides an overall quality assurance checklist that is useful to local government entities prior to submitting financial statements for audit.

## Control weaknesses

### Control environment

We report to entity CEOs on all control weaknesses relating to expenditure, revenue, financial management, asset management and human resources. Control weaknesses are also reported to the mayor, president or chairperson and the Minister for Local Government.

Our management letters provide a rating for each matter reported. We rate matters according to their potential impact and base our ratings on the audit team's assessment of risks and concerns about the probability and/or consequence of adverse outcomes if action is not taken. We consider the:

- quantitative impact – for example, financial loss from error or fraud
- qualitative impact – for example, inefficiency, non-compliance, poor service to the public or loss of public confidence.

Risk category	Audit impact	Management action required
<b>Significant</b>	Control weaknesses that potentially present a significant financial or business risk to the entity if not addressed promptly. These significant risk findings impact: <ul style="list-style-type: none"> <li>• likelihood of material misstatement in the financial report</li> <li>• ability to achieve objectives or comply with legislation.</li> </ul>	Priority or urgent action by management to correct the material misstatement in the financial report to avoid a qualified opinion or for control risks, implement a detailed action plan as soon as possible, within one to two months.
<b>Moderate</b>	Normally matters requiring system or procedural improvements or low risk matters from previous audits that have not been satisfactorily resolved. These moderate risk findings include: <ul style="list-style-type: none"> <li>• misstatement in the financial report that has occurred, although not material</li> <li>• ongoing system control weakness which could or is having a moderate adverse effect of achieving objectives or legislative compliance.</li> </ul>	Control weaknesses of sufficient concern to warrant action being taken as soon as practicable, within three to six months. If not addressed promptly, they may escalate to significant or high risk.
<b>Minor</b>	Isolated occurrences, non-systemic or procedural control weaknesses that are administrative shortcomings. Minor weaknesses which are not of primary concern but still warrant action being taken.	Management to implement an action plan within six to 12 months to improve existing process or internal control.

Source: OAG

**Table 5: Risk categories for control weakness reported to management**

We give management the opportunity to review our audit findings and provide comments before completing the audit. Each finding is documented in a management letter which identifies weakness, implications for the entity, risk category and a recommended improvement action.

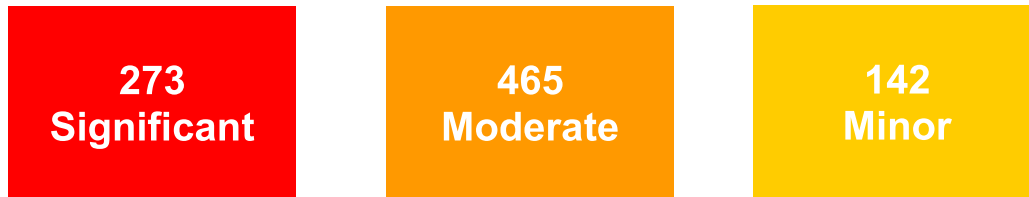
We ask that management set a timeframe to remedy control weaknesses. Most entities set themselves challenging timeframes and generally meet them. It is, however, disappointing that some entities do not remedy weaknesses in a timely manner.

At the completion of each audit, we send a copy of our management letter to the responsible minister along with the audit opinion.

While our management letters relate specifically to an individual entity, we can see the weaknesses are often common to other local government entities.

## Financial and management controls

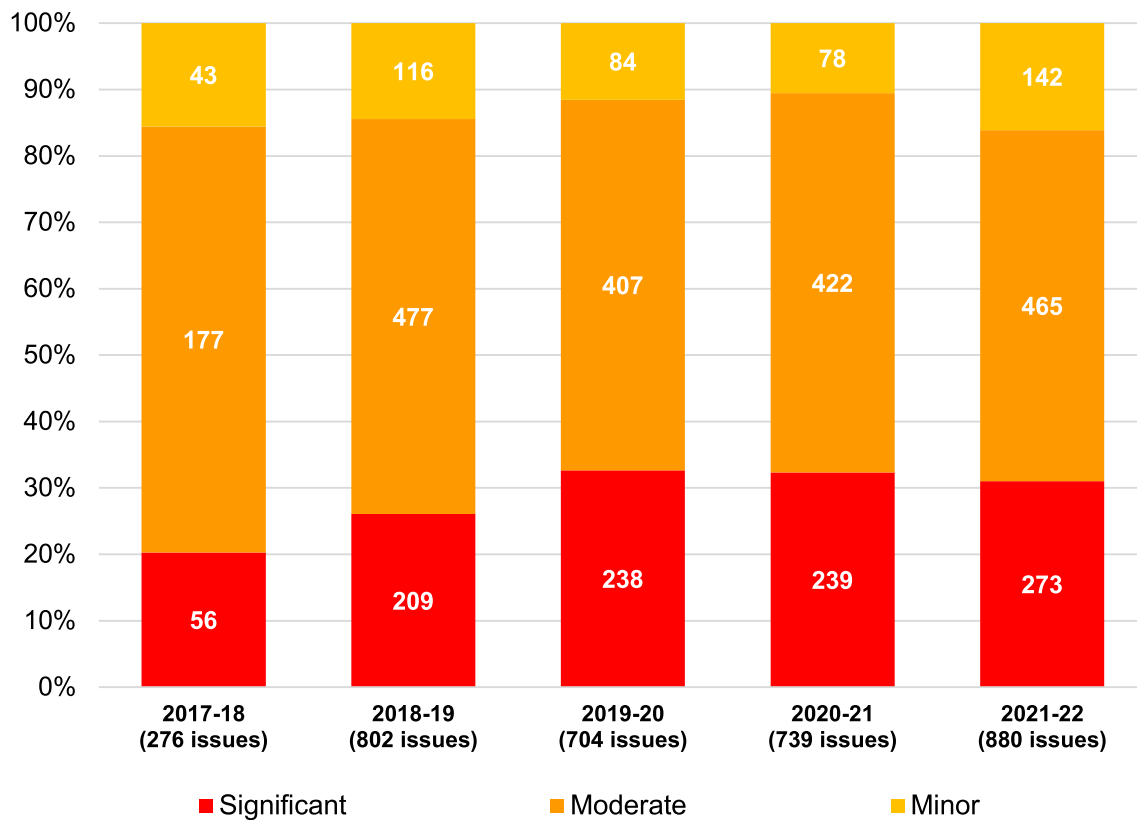
During 2021-22, we alerted 110 entities to 273 significant control weaknesses that needed their attention, an increase from 239 the previous year. We reported 880 control weaknesses in total across the three risk categories, also an increase from the total of 739 we reported in 2020-21 (Figure 2). In summary:



Source: OAG

**Figure 1: Number of financial and management control findings by risk category for 2021-22**

Figure 2 shows the number of weaknesses in each category and the related comparative data for the last five years. Of concern is the both the number and proportion of significant control weaknesses has been increasing since we assumed responsibility for auditing the sector.



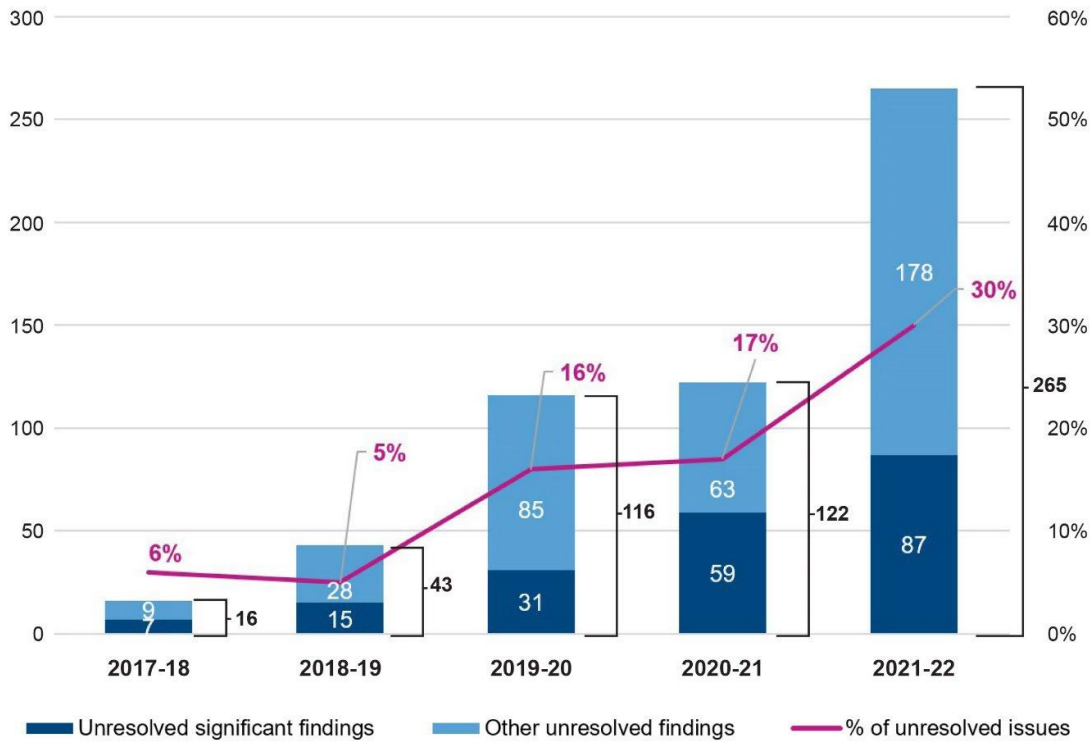
Source: OAG

Note: 2017-18 data excludes 14 information systems issues.

**Figure 2: Proportion of control weaknesses reported to management in each risk category and comparative ratings of the control weaknesses**

As highlighted in Figure 3, 265 control weaknesses (30%) at 63 entities were unresolved from the prior year. Disappointingly, this proportion is significantly higher than for 2020-21 (17%). In addition, the number of significant weaknesses identified that remain unresolved has also increased from the prior year and has been trending upwards since 2017-18.

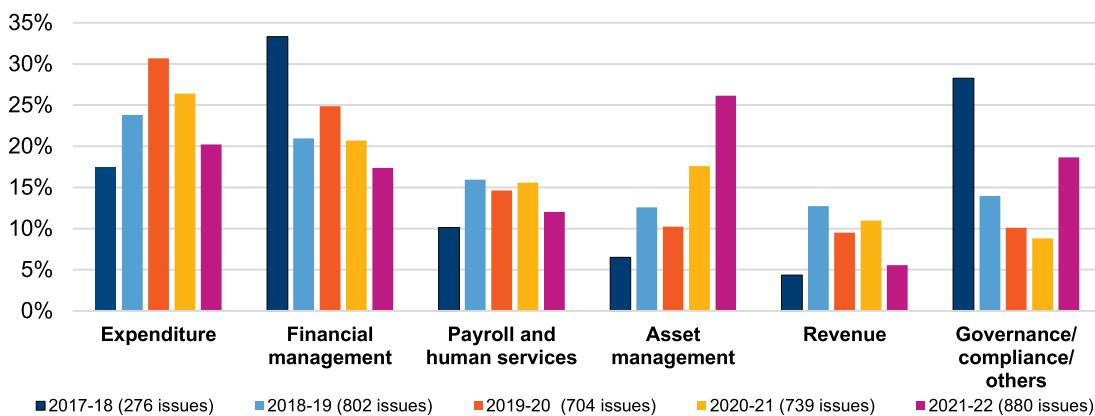




Source: OAG

**Figure 3: Unresolved financial management control findings**

The 880 control weaknesses identified in 2021-22 are presented in their different financial management control categories in Figure 4. This figure also highlights the increasing trend in issues pertaining to asset management (e.g. fair values) across the sector while expenditure and financial management controls continue to represent a significant proportion of weaknesses across the financial control environment. Interestingly, there has been an increase in the governance, compliance and other category which is predominantly due aspects related to risk management and strategic plans being in existence or sufficiently current – most likely reflective of the resource constraints being experienced across the sector. However, it is pleasing that control weaknesses pertaining to expenditure, financial management, payroll and human services and revenue decreased in 2021-22.



Source: OAG

Note: 2017-18 data does not include 14 information systems issues.

**Figure 4: Financial and management control weaknesses reported to entities**

The following are examples of control weaknesses identified in the major categories of audit findings.

## Expenditure

As in prior years we noted that good procurement procedures, such as obtaining quotes and completing purchase orders to start the ordering process and accountability trail, were not routinely practiced.

We reported 178 expenditure control weaknesses at 96 entities in 2021-22. These included:

- Anomalies in procurement, purchase orders (Pos) and quotes at 65 entities (86 findings) covering:
  - Pos being raised after the goods have been supplied or after suppliers' invoices had been received. Insufficient and/or inadequate controls over purchase ordering increases the risk of inappropriate purchases or the entity being committed to purchases by officers acting outside of delegated authority limits.
  - Quotes not being obtained as required by the entities' policy guidelines and quotes not being appropriately retained. This increases the risk of favouring specific suppliers and/or not obtaining value for money.
  - There were instances at seven entities of authority limit requirements not being complied with. This also increases the risk of fraud and/or not obtaining value for money.
- Issues with supplier master files at 26 entities, such as amendments where no supporting documentation was provided to evidence that the changes were verified with the supplier before updating the accounting systems.
- Credit card anomalies in 20 entities such as:
  - receipts not available for all transactions
  - no evidence of independent review of staff credit card monthly expenditure
  - transactions not listed separately in the payments submitted to Council each month.

## Payroll and human resources

Payroll and human resource management are essential elements of any employer's business. During our audits we reported 106 payroll and human resources weaknesses at 74 entities. These included:

- Anomalies across 34 entities regarding annual and long service leave entitlements, including excessive leave balances. While acknowledging the continuing resource constraints across the sector, it is vitally important for entities to have leave management plans in place for the benefit of the health and wellbeing of both the entity and its staff.
- Exit and termination protocols not completed promptly or at all in 12 entities. This is essential to ensure both timely and accurate processing and payment of staff and ensuring access controls in relation to offboarding staff are complied with.
- Payroll reconciliations, exception reports, or review of cost centres not being appropriately completed or independently reviewed at 12 entities, increasing the risk of errors and potential fraud remaining undetected and misstated financial statements.
- Over or underpayments and other pay anomalies at 19 entities.

## Governance and compliance

Appropriate standards of corporate governance and legislative compliance are essential elements of a high performing local government entity. They are what is not only required, but rightfully expected by all relevant stakeholders – principally ratepayers, the public, ministers and the Parliament. We identified 143 issues with aspects of corporate governance and legislative compliance at 71 entities (48% of the local government sector). These included:

- risk management frameworks or policies and practices not being in existence, updated regularly enough (i.e., not fit for purpose) or not being suitably followed at 50 entities
- strategic plans either not in existence or updated with sufficient regularity in 13 entities
- non-compliance with the *Financial Management Act 2006* or regulations in 19 entities.

Strategic and risk management plans are essential cornerstones of any entity's ability to achieve its objectives (short, medium and long term) and in an efficient and responsible way. These would also address the need to comply with relevant legislative requirements.

## Financial management

The accounting procedures and practices of the financial management team should include appropriate controls for preparing the entity's financial report and mandatory annual reporting requirements. During our audits we identified 153 issues with the accounting procedures of the financial management teams at 86 entities. Fifty-six findings were unresolved from the previous year and 18 of these unresolved findings were significant. The major control weaknesses included:

- bank reconciliations were either not prepared monthly, completed in a timely manner or appropriately reviewed by an independent person in 37 entities (representing 25% of the local government sector). This is a concerning proportion considering a bank reconciliation is a key control. If it is not performed there is a heightened risk of erroneous or unusual (including fraudulent) reconciling items not being detected, investigated and resolved in a timely manner
- journal entries at 21 entities were made with either insufficient supporting documentation or without being appropriately reviewed by an independent officer. Journals often represent significant adjustments to previously reported accounting transactions. Accordingly, it is imperative to ensure they are appropriately approved to mitigate the risk of fraud
- non-compliance with relevant accounting standards (eight entities)
- financial reporting requirements (12 entities)
- inappropriate segregation of duties and review functions (10 entities), including those with access to information systems beyond their job description.

## Assets

We identified 220 weaknesses in the controls over assets at 140 entities. These were primarily concerned with:

- Property, Plant and Equipment (PPE) and Infrastructure not being revalued at all or as frequently as required by regulation or by accredited valuers, or entities not performing any fair value assessment of these assets for 30 June 2022, at 115 entities. This can be partly explained by the limited capacity of a relatively small number of valuation experts servicing the sector, as well as the limited in-house resource capacity.

- Reconciliations of fixed asset registers to the general ledger, inaccuracies in the register information and a lack of regular review process to ensure the register is complete and accurate (including assessing useful lives of these assets) were reported across 27 entities.

For all local government entities, PPE and Infrastructure assets comprise the largest proportion of the entities assets and represent the bulk of the mechanism by which they provide services to their constituents. It is imperative that they are appropriately managed, assessed and carried at the appropriate value in the accounting records.

## Revenue

Good controls over revenue help to ensure that all monies due to the entity are accurately charged, collected and reported in the financial statements. During our audits, we reported 49 weaknesses at 37 entities. These primarily related to:

- incorrect revenue recognition in respect of grant funding
- rateable values reconciliations not being complete
- incorrect discount adjustments or refunds being provided
- fees not correctly recorded in the financial system and customers being charged the incorrect fee.

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## Recommendation

2. Local government entities should ensure the integrity of their financial control environment is maintained by:
  - a. ensuring control weaknesses identified by audit and other review mechanisms are addressed promptly
  - b. creating a culture of compliance with systems of control being regularly reviewed
  - c. regularly reviewing and updating all financial, asset, human resources, governance, information systems and other management policies and procedures. These should be communicated to staff with effective training programs implemented to support understanding of these
  - d. conducting reviews and assurance engagement to improve systems of internal control in line with periodic risk assessments
  - e. maintain currency with new and revised accounting standards for their impact on financial operations in order to prepare a compliant financial report at year end.

## Information system controls

In 2021-22, we reported 334 information system control weaknesses to 53 entities<sup>7</sup>, with 10% (32) of these rated as significant and 69% (232) as moderate. This was an improvement on last year when we reported 358 control weaknesses to 45 entities. However, entities should act promptly to resolve them, if not addressed these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems.

Local government entities, like all modern organisations, depend on information systems to deliver a wide range of services to their communities. They are also essential tools for preparing financial statements that underpin a local government entities' accountability to its ratepayers. Loss of trust is perhaps the biggest threat to local government entities' authority to govern should their information systems become degraded if they fail to address security issues. For this reason, it is vital that entities implement appropriate controls to maintain reliable, secure and resilient information systems.

Audits of general computer controls help entities measure and improve the effectiveness and reliability of services and financial reporting. These audits are performed as an integral part of, and inform, our financial audit program.

Our capability assessments at 12 of the 53 entities show that none met our expectations across all six control categories and 69% of the audit results were below our minimum benchmark. Information and cyber security remain significant risks again this year and need urgent attention. Compared to 2020-21, there have been some improvements in change control but very little progress in management of information technology (IT) risks, physical security and IT operations. Entities need to improve in all six control categories.

The above information includes additional statistics from work completed since we tabled our *Information Systems Audit – Local Government 2021-22*, on 29 March 2023. Further details of the information systems audit work and case studies are included in that report.

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## Recommendation

3. We encourage entities to use the case studies and recommendations in our *Information Systems Audit – Local Government 2021-22*<sup>8</sup> to assess and enhance general computer controls within entities information system environments.

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<sup>7</sup> The number of entities with IS findings has not changed since the *Information Systems Audit – Local Government 2021-2022*, as an entity was mistakenly counted twice.

<sup>8</sup> Office of the Auditor General, [Information Systems Audit - Local Government 2021-22](#), OAG website, 29 March 2023, accessed 21 August 2023.

## Financial reporting, accountability and audit matters

### Valuation of assets

Valuation was again a common theme in the sector. As we noted last year, even though a formal valuation is not required every year, each entity needs to determine that the carrying value of an asset at the reporting period approximates its fair value. This would entail, amongst other things, condition assessments, assessing recent pricing movements in materials and labour, and other relevant material factors.

#### What we found

The frequency of valuations by some entities was not in accordance with Local Government (Financial Management) Regulations 1996 and a number of entities had not performed any fair value assessment of their assets for 30 June 2022. In one case, a building's revaluation was last performed in 2017. The elapsed time exceeds the five years required by section 17A(4)(b) of the Regulations.

In another instance, a local government entity had missed assets in its initial revaluation, requiring these assets to be revalued after the onsite final audit, contributing to delays.

A number of entities that performed revaluations in the 2021-22 year saw significant increases in the value of their infrastructure assets. This was primarily due to increases in unit rates and growth in the asset base. The City of Cockburn saw a 23% increase in its infrastructure assets from \$890 million to \$1.1 billion in 2021-22 for such reasons.

In contrast, the City of Rockingham reported a 51% decrease in the value of infrastructure assets for the year ended 30 June 2022. This was caused by the reduced Road Unit Rates from using recycled materials collected and disposed of from road renewals (in situ materials) and exclusion of tipping fees.

In another case, an appointed valuer was not able to verify that the valuation was performed in accordance with Australian Accounting Standards (AASB 13) and met financial reporting requirements. DLGSC has since issued an alert to provide guidance to local government entities when selecting a valuer.

The limited capacity of a relatively small number of valuation experts servicing this sector has affected the timeliness of valuations, with some entities finding it difficult to source expertise and perform valuations to meet their financial reporting requirements. Assumptions applied by valuers also affected valuations, creating variability in valuations and affecting comparability between them.

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### Recommendation

4. The DLGSC should provide guidance to assist entities with understanding the requirements of and interpreting the Australian Accounting Standards Board (AASB) accounting requirements to ensure greater accounting consistency across the sector, including application of AASB 13 *Fair Value Measurement*.

## Reconciliations

Contributing to the difficulty in preparing financial statements and lack of preparedness for the audit, a number of local government entities had not prepared or reviewed reconciliations in a timely manner. Performing regular reconciliations represents good preventative controls and will help entities ensure the financial integrity of records.

### What we found

Several entities experienced challenges preparing key reconciliations in time for audit, causing delays and extra effort in the process. The following examples illustrate the nature of these challenges:

- Financial statements did not include adjustments for revaluation of property, plant and equipment and other infrastructure and could not be reconciled with the trial balance. Coordinating with the entity's finance team proved challenging and it took several iterations of the statements to resolve.
- There were several instances where reports and reconciliations did not reconcile to the trial balance and meetings were needed to resolve the issues, delaying the audit process.
- A municipal bank reconciliation was substantially delayed beyond year end and was only provided for audit in February 2023, eight months following the year end.
- Payroll reconciliation issues at another entity were only resolved in December 2022. The implementation of a new payroll system for this entity in the 2022-23 financial year should ensure improvements in future years.

## Approval and support for journals

Small staff numbers at some regional shires present challenges not experienced by larger local government entities. For example, at one shire, a significant finding was a lack of segregation of duties in the journal posting and approving process due to the retirement of a staff member early in the financial year, creating a vacancy the shire was unable to fill. A result of the reassigned work meant that the staff member posting journals happened to also be a close relative of the person approving them. In this case they were the only two staff employed by the shire who had the technical capabilities to perform the tasks.

At one shire, key journals were only processed in December 2022. The shire has a significant capital works program funded by capital grants. Review and posting of asset and revenue/liability journals dealing with this program should occur more regularly during the year given the significant number of transactions in this area and the amounts involved.

At another shire, testing identified a number of manual journal entries that were unable to be supported due to poor record keeping. These journal entries did not evidence review by an independent officer prior to processing. The shire was able to support these manual journals subsequent to year end, but this also resulted in a delayed audit process.

## Recognition or assessment of rehabilitation provision

Recognition and correction of rehabilitation provisions featured in seven local government entities in 2021-22. These included:

- A provision for rehabilitation of the landfill site of \$6.3 million was recognised at the Bunbury-Harvey Regional Council. This resulted in a negative retained surplus position at 30 June 2022.

- The City of Armadale identified an adjustment to the landfill rehabilitation provision calculation and corresponding rehabilitation asset that resulted in an increase of \$21.1 million to the provision calculation and \$22.5 million to the rehabilitation asset (a net result of \$1.4 million increase in net assets). The prior year impact of this was determined to be immaterial.
- At the Shire of Halls Creek, an increase in Other Provisions is due to the recognition of landfill rehabilitation provisions related to the Halls Creek tip. The Shire's landfill closure management plan proposes a four-phase staged rehabilitation approach between 2024 and 2036, with a net present value cost of approximately \$1.3 million.
- At the Shire of Leonora, other provisions recorded a \$2.7 million provision to recognise the first year of the landfill rehabilitation provision.
- At the Town of Port Hedland, a final landfill closure management plan provided the Town with a reliable estimate of its licence obligations for rehabilitating the South Hedland landfill site. The Town has calculated the net present value of this \$15.3 million expenditure to be \$12.9 million at year end.

## Prior year adjustments were again reported for several entities

Prior year adjustments were made at 13 entities in 2021-22 (11 entities in 2020-21). We considered the following instances worth noting:

- At the Shire of Donnybrook-Balingup there was a prior year adjustment of \$271,628 to recognise soil material gifted by Main Roads Western Australia in June 2022.
- At the City of Joondalup, work-in-progress costs totalling \$3,304,489 for building additions had not been capitalised in 2019-20 when they were completed, resulting in an overstatement of the revaluation surplus and work-in-progress in subsequent years. Following further analysis and discussion, these additions were corrected as a prior period error.
- During 2021-22, Tamala Park Regional Council (TPRC) arranged for the valuation of the Tamala Park land which is jointly owned by the TPRC member councils. Following significant additional work and consultation with the OAG, a valuation model was developed in consultation with TPRC, to assist the TPRC member councils correctly classify and account for the various components of the Tamala Park land (the tip site, refuse buffer land and land held for sale). Based on this model, the City of Joondalup reviewed its accounting of the Tamala Park land components and concluded that while they had been correctly classified in the financial report, the City had inadvertently reported the land held for development at fair value instead of the lower of cost and net realisable value as required by AASB 102 *Inventories*. This error was rectified by restating the prior year comparatives at 1 July 2020 and at 30 June 2021 in the 2021-22 financial report.
- The City of Kalamunda recognised found assets as a prior year error requiring correction by restating comparatives and increasing infrastructure amounts reported in 2020-21 by approximately \$3.5 million.

## Key financial transactions that required additional audit effort

A number of key financial transactions across the sector required additional audit effort and may be of public interest in addition to those noted above. They highlight the depth of services provided by local government entities and the associated accounting impacts.



For example, Busselton has an Air Services Agreement with JetStar to underwrite three weekly services to Melbourne, up to an agreed maximum value. Under the agreement, the City may have a liability if Jetstar's actual revenue is less than the agreed required revenue for the periods in the agreement. This contractual obligation only becomes a liability contingent on future events and so is included in the contingent liabilities note of the City. JetStar's service commenced in April 2022 following the reopening of the WA State border. The City is unable to reliably estimate the financial effects, if any, at year end.

In 2020-21, Resource Recovery Group (RRG) (formerly Southern Metropolitan Regional Council) had a temporary contract with a third party waste disposal/treatment organisation after that company experienced a factory fire. The organisation brought a significant number of tonnes of waste to RRG's facility which RRG charged them for and sold the recyclable by-product. In 2021-22, RRG had no such contract and its revenue decreased by over \$10 million.

City of Busselton's total borrowings are higher by \$17.9 million than last year mainly due to new loans taken out by the City with WA Treasury Corporation for the construction of the Busselton Performing Arts and Convention Centre.

At the City of Canning, service charges increased from \$2.9 million in 2020-21 to \$7.6 million in 2021-22 (160%) due to levying an underground power service charge - Shelley West by approximately \$4.6 million.

Similarly, at the City of South Perth, service charges increased by \$13.1 million due to the city collecting fees for underground power projects in Manning and Collier in this financial year. No underground power projects were undertaken last financial year.

At the City of Cockburn, there was a significant increase in fees and charges and other expenditure from \$30.2 million in 2020-21 to \$40.1 million in 2021-22. This is mainly attributable to a significant increase in landfill fees payment by customers and the landfill levy, with 2021-22 seeing an 83% increase in total waste accepted (94,106 tonnes in 2020-21 to 172,519 tonnes in 2021-22).

At the City of Perth, materials and contracts decreased by \$7 million (13%) mainly due to the legal expenditure in 2020-21 that the City was required to pay the Minister of Local Government as a result of the adverse findings in relation to the Council and administration of the City. The total legal cost relating to the panel inquiry amounted to \$7.7 million.

At the Shire of Murray, property, plant and equipment increased by \$16.9 million (23%) mainly due to the funds spent on construction of the WA Food Innovation Precinct amounting to \$15 million of additions to work-in-progress in the current year.

## Unusual items of interest

Pilbara Regional Council's financial report disclosed that it agreed to wind up operations. Consequently, the annual financial report has been prepared on a liquidation basis. Rivers Regional Council's financial report revealed that it had made the same decision and also prepared its report on a liquidation basis. In neither case was the audit opinion modified as a result.

## Other changes to accounting standards

### Fair value measurement

AASB 13 *Fair Value Measurement* sets out the requirements that entities have to comply with when measuring fair value for financial reporting purposes. However, there has been some inconsistency in how fair value has been determined in Australia. In WA, this issue has

been especially prevalent for land assets with restricted use in the local government sector due to local government entities using various valuers with different valuation methodologies.

The AASB has recently issued a new accounting standard, AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*, which amends AASB 13 and provides further guidance on fair value measurement. AASB 2022-10 is effective for annual periods beginning on or after 1 January 2024 and will be applied for the first time in the year ended 30 June 2025 by local government entities.

Although AASB 2022-10 does not mandate which valuation approach is appropriate for particular types or classes of assets, it is acknowledged that:

- The majority of public sector restricted use land in Australia is valued using the market approach taking into account the restricted use.
- If the regulator in a jurisdiction desires greater consistency, it may choose to designate a valuation approach for application by public sector entities in its jurisdiction.

Without regulatory intervention, it is possible that the existing inconsistency for restricted land in the local government sector would continue.

## Impact of emergencies

### COVID-19

Whilst there were ongoing residual impacts of COVID-19 throughout the sector, such as availability of staff resources, contractors and materials and adjusting to flexible working arrangements, there was not the level of impact as in prior years. This is a reflection of operations returning to more business as usual.

There were a number of interesting observations, as follows:

- City of Canning retained its Financial Hardship Policy adopted in the prior year, which allowed eligible ratepayers to pause repayment of the property rates, fees and charges for up to 6 months and establish alternative payment arrangements for up to 2 years. All ratepayers who were experiencing difficulty in making their upfront or instalment payments were encouraged to contact the City to establish alternative payment arrangements.
- City of Gosnells received \$25,000 from DLGSC's Theatres and Cinemas Assistance Program for the loss in revenue, as a result of COVID-19 closures in the prior year.
- City of Vincent reported an increase in fees and charges income during the year at Beatty Park Leisure Centre due to increased admissions and memberships as well as an increase in its fees and charges for 2021-22. In the prior year, there had been COVID-19 restrictions and a freeze on fees and charges.
- Shire of Dalwallinu reported an increase in expenses for cleaning products and COVID-19 tests. The Shire also increased its sick pay allowance to cover two weeks for COVID-19 leave if required.

### Cyclone Seroja

Ongoing impacts from Cyclone Seroja, that crossed the WA coast on the 11 April 2021, continue to be felt across a number of local government entities. Examples of these include:

- City of Greater Geraldton has received grant funding from the Department of Fire and Emergency Services amounting to \$1.2 million to aid recovery work.

- Shire of Northampton has received additional funding from the Local Government Insurance Scheme of \$2.75 million to aid recovery work. Cyclone damage led to a write down of infrastructure and property, plant and equipment of around \$1.3 million.
- Shire of Mingenew also received insurance claim and grant income for damage caused by Cyclone Seroja during the year of \$115,961 and grant funding of \$190,397 under the Disaster Recovery Funding Arrangements Western Australia 2018.

#### *Other emergencies*

Other emergencies in the 2021 -22 year have included bushfire and flooding events at Bridgetown-Greenbushes and Dowerin:

- Shire of Bridgetown-Greenbushes saw a significant bushfire event in February 2022 that resulted in assets with a carrying value of \$482,000 being written off.
- Shire of Dowerin received approximately \$3 million in operating grants this year to carry out major flood works. This work was performed during the year as planned.
- Shire of Carnarvon received \$2,360,438 from Disaster Recovery Funding Arrangements in 2021-22 to assist fund the restoration of varying infrastructure and roads damaged by flooding.

## **Opportunities for the DLGSC to improve support of the local government sector**

The DLGSC continued with its regulatory reform agenda during 2021-22 and has worked towards providing support to the sector to fulfil its financial reporting requirements. Our audits continue to show that the sector needs this support to build clarity and achieve accounting and regulatory compliance when preparing financial statements.

This section includes updated information on the specific steps we have observed through our financial audits the DLGSC has taken to enhance financial reporting and reduce complexity and costs within the sector whilst improving governance and transparency. It is important to note that while some of these issues may relate to all entities, others may only be applicable to some.

### **Quality and timeliness**

We have reported consecutively that centralised support from the DLGSC, similar to that provided to State government entities by the Department of Treasury, would be beneficial to the sector. This would help improve understanding of reporting requirements, particularly in areas of complexity and ambiguity, while also helping to improve the overall quality of the sector's financial reports and operations.

We recognise the work of DLGSC, supported by regulation amendments gazetted on 30 June 2023, including that the department has progressed with:

- implementing tiered reporting. Entities that meet the classification of Class 3 or 4 will be able to prepare their financial statements taking advantage of reduced disclosure requirements from 30 June 2023 onwards
- decluttering entities financial reports.

The DLGSC have also provided model financial reports with supporting guidelines and implemented an accounting help desk, providing technical and accounting standard support. This is a step forward for the sector. We encourage entities to seek the help available to ensure any accounting issues are resolved in time for their audit.

We have suggested the DLGSC's support should ensure timely amendments to regulations and provide suitable guidance to assist entities to update their accounting practices. Areas where entities could benefit from the DLGSC being proactive include:

- Fair value measurement requirements to be applied by the sector – this is a complex area where the sector has struggled with time and cost imposts in complying with the current requirements. There have also been differences in how fair value is determined, including without restrictions. Consequently, comparability of the results of fair value assessments have been difficult to perform and limit the meaningfulness of the results. We understand that there are planned amendments pending, which if introduced, will reduce the current complexity in this area, and be greatly appreciated by local governments as reporting entities, and the OAG as auditor.
- Environment, Social and Governance reporting requirements to be applied by the sector – we encourage the DLGSC to consider these likely forthcoming reporting impacts on the local government sector early and provide support and guidance to prepare for them. This should include consultation with the Department of Treasury to consider alignment with the State sector, where relevant and appropriate, as well as consultation with local government entities and sector bodies.
- Support and guidance in areas of accounting complexity – in 2021-22, we noted differences in understanding of reporting requirements for volunteer bushfire services and prior period adjustments for the recognition of rehabilitation provisions and the recognition and derecognition of plantation and turf assets.
- Improving governance by those charged with governance – entities could consider mandatory training, for those without relevant professional qualifications or local government sector experience, for council and audit and risk committee members to ensure understanding of their oversight responsibilities. This would also assist smaller local government entities that may not have effective, or any, internal audit functions within their entities.

We consider timely regulation amendments and support provided by DLGSC assists entities in updating their accounting practices. Amendments to regulations can also help to ensure future reporting is compliant with the financial reporting framework set by the *Local Government Act 1995*, supporting regulations and Australian Accounting Standards.

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## Recommendation

5. The DLGSC should consider environmental, social and governance reporting requirements as applicable and provide clarity to the local government sector for future reporting purposes.

## Response from the DLGSC

The DLGSC supports the OAG recommendations; acknowledging the importance of setting standards in this regard and our commitment to continue working with OAG, sector bodies and local governments to provide guidance, and prescription were considered appropriate. The review of the fair value measurement has commenced and DLGSC's approach has been endorsed by DLGSC Director General and the Minister, with a view to providing the sector with the required guidance following consultation. This strategy also addresses recommendations in relation to fair value above.

The DLGSC has issued two LG Alerts, the first was providing guidance to the local government entities when selecting a valuer and the second, providing advice that early adoption of the Australian Accounting Standard AASB 2022-10 is not supported at this time. Early adoption could adversely affect the accuracy, consistency and comparability of financial reporting across different local government entities.

The DLGSC has considered further regulatory reform, which is intended to substantially improve the current situation and support the local government sector with reduced reporting requirements and minimise risks associated with audits. In collaboration with local governments and sector bodies, guidance on what is required from the sector in assessing fair value measurement is currently in process. A desktop review to assess the impact on local governments by identifying a specific valuation method for land used by the sector has been completed, as well, as a cross jurisdictional comparison. These assessments will be utilised at a workshop with the OAG, sector bodies and local governments to assist with streamlining an approach and developing guidance material to support the local government sector.

The DLGSC acknowledges the need for broad consultation in establishing or influencing environmental, social and governance reporting requirements for the sector; and are dedicated to ensuring that appropriate measures will be taken to address these concerns in a timely manner.

The DLGSC will stay informed about the upcoming accounting standards related to economic, social and governance aspects, which is yet to be determined. The DLGSC will consult with State Treasury in relation to their scope of work and will consider implications, and timelines for implementation. The DLGSC will consult broadly including with experts from sector bodies with accounting, finance, legal, compliance and sustainability. The diverse perspectives will assist in planning and implementation for the future.

## Local government regulation amendments

The second tranche of regulation amendments were gazetted on 30 June 2023. Key changes that are welcomed by our Office and local government sector entities include:

- the introduction of tiered reporting and reduced disclosure
- changes in the CEO statement
- recognising that the financial statements prepared by local governments are deemed to be general purpose financial statements.

These changes will simplify local government reporting requirements and come into effect for the year ended 30 June 2023. This is on top of the welcome Tranche 1 changes introduced for the 2021-22 reporting period being the removal of the requirement for the annual financial report to include financial ratios and an auditor's opinion on financial ratios, significant adverse trends and matters of non-compliance. The two audits that remain outstanding from the 2021-22 year will be finalised on the basis of previous reporting requirements.

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## Recommendation

6. The DLGSC should continue to work with local government stakeholders to ensure regulatory reform and support model financial accounts to ensure they remain relevant and appropriate for the sector for the 2023-24 financial year and beyond. Any learnings or further amendments that may be needed should be well considered and promptly applied.

### Response from the DLGSC

The DLGSC acknowledges the significance of ensuring that our practices remain appropriate and forward-looking. The DLGSC is fully dedicated to working closely with the local governments and sector bodies to continue refining and enhancing the model financial statements guidance materials and templates.





The OAG's suggestion regarding the need for ongoing review and adaptation of the model financial statements is noted. The DLGSC agrees that a proactive approach to learning from our experiences and making necessary adjustments is crucial. Dedicated resources have been allocated to regularly assess the relevance and appropriateness of guidance materials and templates on an annual basis. Any required amendments will be well-considered and promptly implemented to ensure the highest standards of accuracy and utility. The DLGSC is presently progressing a procurement process to appoint a consultant for a three-year period with a two, one-year extension option.




## Appendix 1: Status and timeliness of audits



Audit opinions issued to 146 of 148 entities for 2021-22 by 30 June 2023 are listed below.























The table lists each entity in alphabetical order, as well as the type of opinion they received, when the opinion was issued, whether the entity submitted their financial statements by the statutory deadline and our assessment whether these statements were audit ready. Assessment of audit readiness included factors such as whether the financial statements submitted were complete and if material adjustments were required to these.

### Key

Type of audit opinion	
Clear	
Clear opinion with emphasis of matter or matter of significance paragraph	
Material uncertainty related to going concern	
Qualified or a disclaimer of opinion	

Financial statement (FS) timeliness	
Received by statutory deadline of 30 September 2022	
Extension to the statutory deadline was granted and met	
Extension or statutory deadline was not met	

Audit readiness	
Financial statements submitted and assessed audit ready	
Financial statements submitted and assessed as not audit ready	

	Entity	Type of opinion	Opinion issued	FS timeliness	Audit readiness
1	Bunbury-Harvey Regional Council		13/12/2022		
2	City of Albany		24/11/2022		
3	City of Armadale		16/03/2023		
4	City of Bayswater		06/04/2023		
5	City of Belmont		16/12/2022		
6	City of Bunbury		12/12/2022		
7	City of Busselton		16/11/2022		
8	City of Canning		1/12/2022		
9	City of Cockburn		9/12/2022		
10	City of Fremantle		5/04/2023		

(Appendix AAR:8.4B)

	Entity	Type of opinion	Opinion issued	FS timeliness	Audit readiness
11	City of Gosnells	✓	17/11/2022	🕒	🕒
12	City of Greater Geraldton	✓	15/12/2022	🕒	🕒
13	City of Joondalup	✓	20/12/2022	🕒	🚫
14	City of Kalamunda	✗	2/12/2022	🕒	🕒
15	City of Kalgoorlie-Boulder	✓	17/04/2023	🕒	🚫
16	City of Karratha	✓	25/05/2023	🕒	🚫
17	City of Kwinana	✓	14/12/2022	🕒	🕒
18	City of Mandurah	✗	18/04/2023	🕒	🕒
19	City of Melville	✓	9/12/2022	🕒	🕒
20	City of Nedlands	✓	21/04/2023	🕒	🚫
21	City of Perth	✓	7/12/2022	🕒	🕒
22	City of Rockingham	✓	22/11/2022	🕒	🕒
23	City of South Perth	✓	29/11/2022	🕒	🚫
24	City of Stirling	✓	20/12/2022	🕒	🚫
25	City of Subiaco	✓	18/11/2022	🚫	🚫
26	City of Swan	✓	23/11/2022	🕒	🕒
27	City of Vincent	✓	12/12/2022	🕒	🕒
28	City of Wanneroo	✓	5/12/2022	🕒	🚫
29	Eastern Metropolitan Regional Council	✓	11/10/2022	🕒	🕒
30	Mindarie Regional Council	✓	5/12/2022	🕒	🚫
31	Murchison Regional Vermin Council	✓	16/12/2022	🕒	🕒
32	Pilbara Regional Council	✓	30/11/2022	🕒	🚫
33	Resource Recovery Group*	✓	16/12/2022	🕒	🕒
34	Rivers Regional Council	✓	21/12/2022	🕒	🕒
35	Shire of Ashburton	✓	18/04/2023	🕒	🚫
36	Shire of Augusta-Margaret River	✓	7/12/2022	🕒	🕒
37	Shire of Beverley	✓	25/10/2022	🕒	🕒
38	Shire of Boddington	✓	8/12/2022	🕒	🕒
39	Shire of Boyup Brook	✗	17/04/2023	🚫	🚫
40	Shire of Bridgetown-Greenbushes	✓	8/12/2022	🕒	🕒
41	Shire of Brookton	✓	21/12/2022	🕒	🕒



(Appendix AAR:8.4B)

	Entity	Type of opinion	Opinion issued	FS timeliness	Audit readiness
42	Shire of Broome	✓	14/04/2023	🕒	🚫
43	Shire of Broomehill-Tambellup	✓	03/04/2023	🕒	🕒
44	Shire of Bruce Rock	✓	14/12/2022	🕒	🚫
45	Shire of Capel	✓	12/12/2022	🕒	🕒
46	Shire of Carnamah	✓	21/04/2023	🚫	🚫
47	Shire of Carnarvon	✓	01/03/2023	🕒	🕒
48	Shire of Chapman Valley	✓	12/12/2022	🕒	🚫
49	Shire of Chittering	✓	20/12/2022	🕒	🚫
50	Shire of Christmas Island	✓	17/04/2023	🚫	🚫
51	Shire of Cocos (Keeling) Islands	✓	20/12/2022	🕒	🚫
52	Shire of Collie	✓	21/03/2023	🕒	🕒
53	Shire of Coolgardie	✓	17/12/2022	🕒	🚫
54	Shire of Coorow	✓	16/12/2022	🕒	🚫
55	Shire of Corrigin	✓	18/04/2023	🕒	🚫
56	Shire of Cranbrook	✓	2/12/2022	🕒	🕒
57	Shire of Cuballing	✓	18/04/2023	🚫	🚫
58	Shire of Cue	✓	15/12/2022	🕒	🕒
59	Shire of Cunderdin	✓	28/04/2023	🕒	🚫
60	Shire of Dalwallinu	✓	16/12/2022	🕒	🕒
61	Shire of Dandaragan	✓	22/11/2022	🕒	🕒
62	Shire of Dardanup	✓	9/12/2022	🕒	🕒
63	Shire of Denmark	✓	14/04/2023	🕒	🚫
64	Shire of Derby-West Kimberley	✓	18/04/2023	🕒	🚫
65	Shire of Donnybrook-Balingup	✓	21/12/2022	🕒	🕒
66	Shire of Dowerin	✓	6/12/2022	🕒	🕒
67	Shire of Dumbleyung	✓	20/12/2022	🕒	🕒
68	Shire of Dundas	✓	19/12/2022	🕒	🕒
69	Shire of East Pilbara	✓	17/05/2023	🚫	🚫
70	Shire of Esperance	✓	22/11/2022	🕒	🕒
71	Shire of Exmouth	✓	14/12/2022	🕒	🕒
72	Shire of Gingin	✓	12/12/2022	🕒	🕒

(Appendix AAR:8.4B)

	Entity	Type of opinion	Opinion issued	FS timeliness	Audit readiness
73	Shire of Gnowangerup	✓	29/11/2022	🕒	🕒
74	Shire of Goomalling	✗	14/04/2023	🕒	🕒
75	Shire of Halls Creek	✓	18/04/2023	🕒	🕒
76	Shire of Harvey	✓	14/12/2022	🕒	🕒
77	Shire of Irwin	🟡	05/05/2023	🕒	🕒
78	Shire of Jerramungup	✓	9/12/2022	🕒	🕒
79	Shire of Katanning	✓	14/12/2022	🕒	🕒
80	Shire of Kellerberrin	✓	2/12/2022	🕒	🕒
81	Shire of Kent	🟡	21/12/2022	🕒	🕒
82	Shire of Kojonup	✓	04/04/2023	🕒	🕒
83	Shire of Kondinin	✓	16/12/2022	🕒	🕒
84	Shire of Koorda	🟡	20/12/2022	🕒	🕒
85	Shire of Kulin	✓	21/12/2022	🕒	🕒
86	Shire of Lake Grace	✓	16/12/2022	🕒	🕒
87	Shire of Laverton	✓	31/03/2023	🕒	🕒
88	Shire of Leonora	✓	16/12/2022	🕒	🕒
89	Shire of Manjimup	✓	30/11/2022	🕒	🕒
90	Shire of Meekatharra	✓	16/12/2022	🕒	🕒
91	Shire of Menzies	🟡	16/12/2022	🕒	🕒
92	Shire of Merredin	🟡	20/12/2022	🕒	🕒
93	Shire of Mingenew	✓	9/12/2022	🕒	🕒
94	Shire of Moora	✓	13/04/2023	🕒	🕒
95	Shire of Morawa	✓	6/12/2022	🕒	🕒
96	Shire of Mount Magnet	✗	17/04/2023	🕒	🕒
97	Shire of Mount Marshall	🟡	17/04/2023	🕒	🕒
98	Shire of Mukinbudin	✓	9/12/2022	🕒	🕒
99	Shire of Mundaring	✓	14/12/2022	🕒	🕒
100	Shire of Murchison	✓	16/05/2023	🕒	🕒
101	Shire of Murray	✓	25/11/2022	🕒	🕒
102	Shire of Nannup	✗	27/04/2023	🕒	🕒
103	Shire of Narembeen	✓	20/04/2023	🕒	🕒

(Appendix AAR:8.4B)

	Entity	Type of opinion	Opinion issued	FS timeliness	Audit readiness
104	Shire of Narrogin	✓	20/12/2022	🕒	🚫
105	Shire of Ngaanyatjaraku	✓	16/12/2022	🕒	🕒
106	Shire of Northam	✓	16/12/2022	🕒	🕒
107	Shire of Northampton	✓	9/12/2022	🕒	🕒
108	Shire of Nungarin	✓	16/03/2023	🕒	🕒
109	Shire of Peppermint Grove	✓	15/12/2022	🕒	🚫
110	Shire of Perenjori	✓	24/01/2023	🕒	🕒
111	Shire of Pingelly	✓	13/12/2022	🕒	🕒
112	Shire of Plantagenet	✗	20/04/2023	🚫	🚫
113	Shire of Quairading	✓	16/03/2023	🕒	🚫
114	Shire of Ravensthorpe	✓	27/02/2022	🕒	🚫
115	Shire of Sandstone	✗	2/05/2023	🚫	🚫
116	Shire of Serpentine-Jarrahdale	✓	8/04/2022	🕒	🚫
117	Shire of Shark Bay	✓	24/03/2022	🕒	🚫
118	Shire of Tammin	✓	29/11/2022	🕒	🚫
119	Shire of Three Springs	✓	12/12/2022	🕒	🕒
120	Shire of Trayning	✓	5/04/2022	🕒	🚫
121	Shire of Upper Gascoyne	✓	8/12/2022	🕒	🕒
122	Shire of Victoria Plains	✓	16/12/2022	🕒	🕒
123	Shire of Wagin	✓	12/12/2022	🕒	🕒
124	Shire of Wandering	✓	01/03/2023	🕒	🕒
125	Shire of Waroona	✓	15/11/2022	🕒	🕒
126	Shire of West Arthur	✓	15/02/2023	🕒	🕒
127	Shire of Westonia	✓	14/04/2023	🕒	🚫
128	Shire of Wickopin	✓	19/04/2023	🕒	🚫
129	Shire of Williams	✓	20/02/2023	🕒	🚫
130	Shire of Wiluna	✗	19/06/2023	🕒	🕒
131	Shire of Wongan-Ballidu	✓	22/12/2022	🕒	🕒
132	Shire of Woodanilling	✗	22/12/2022	🕒	🕒
133	Shire of Wyalkatchem	✓	23/11/2022	🕒	🚫
134	Shire of Wyndham-East Kimberley	✓	01/03/2023	🕒	🕒

	Entity	Type of opinion	Opinion issued	FS timeliness	Audit readiness
135	Shire of Yilgarn	✓	01/03/2023	🕒	🚫
136	Shire of York	✓	06/04/2023	🕒	🚫
137	Tamala Park Regional Council	✓	6/10/2022	🕒	🕒
138	Town of Bassendean	✓	10/02/2023	🕒	🚫
139	Town of Cambridge	✓	30/06/2023	🚫	🚫
140	Town of Claremont	✓	10/03/2023	🕒	🚫
141	Town of Cottesloe	✓	6/04/2023	🕒	🕒
142	Town of East Fremantle	✓	28/11/2022	🕒	🕒
143	Town of Mosman Park	✓	20/12/2022	🕒	🕒
144	Town of Port Hedland	✓	8/12/2022	🕒	🕒
145	Town of Victoria Park	✓	14/04/2023	🕒	🚫
146	Western Metropolitan Regional Council	✓	29/11/2022	🕒	🚫

Source: OAG

\* Resource Recovery Group previously known as Southern Metropolitan Regional Council.

### Outstanding audits at 30 June 2023

	Entity	Balance date	Reason for delay
1	Shire of Toodyay	30 June 2022	The 2021 audit was significantly delayed and signed off only on 2 June 2023. The 2022 audit is delayed as the Shire is still in the midst of addressing the significant challenges with their financial system and are not able to provide complete and accurate records for audit purposes.
2	Shire of Yalgoo	30 June 2022	Late finalisation of the 2021 audit, lack of audit readiness for 2022 audit resulting in supporting documentation only provided recently to auditors.

Source: OAG

## Response from the Shire of Narrogin

Annual financials accounts and reports were submitted on the 30 September 2022, in accordance with section 6.4(3) of the Local Government Act and at that time were balanced up to the last day of the preceding financial year.

Whilst our correspondence on the 30 September articulated final desktop revaluation figures being provided, the financials were balanced. There was no requirement to await the revalued assets as the Shire provided current asset valuations. In demonstrating transparency of our process the Shire communicated pending information that may or may not have required revision. There is no mandatory requirement for changing of these valuations at 30 September and could have been adjusted as part of the financial audit process, or in the current financial year for future audit purpose.

Therefore the financials were complete and balanced at the time of submission and 'ready for audit'. It is disappointing that at no time during the audit conversations including the final debrief that this perception of non-compliance was communicated by OAG. This subsequent correspondence on the 27 July 2023 was therefore surprising.

Whilst a subsequent update to Appendix 1 has been provided, the Shire still determines, that it provided balanced 'ready for audit' financials in accordance with the required deadline, the 30 September 2023 and section 6.4(3) of the Local Government Act.

## Appendix 2: 2020-21 disclaimers of opinion

Entity and opinion	Opinion issued
<p><b>Shire of Toodyay</b> – Disclaimer of opinion</p> <p><b>Financial report not supported with complete and accurate underlying records</b></p> <p>We were unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole, as the financial report was submitted for audit purposes without complete and accurate underlying records. We were unable to audit the financial report by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2021.</p>	02/06/2023
<p><b>Shire of Wiluna</b> – Disclaimer of opinion</p> <p><b>Financial report not supported with complete and accurate underlying records</b></p> <p>We were unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole, as the financial report was submitted for audit purposes without complete and accurate underlying records. We were unable to audit the financial report by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2021 and 30 June 2020.</p>	22/12/2022
<p><b>Shire of Yalgoo</b> – Disclaimer of opinion</p> <p><b>Financial report not supported with complete and accurate underlying records</b></p> <p>We were unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole, as the financial report was submitted for audit purposes without complete and accurate underlying records. We were unable to audit the financial report by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2021 and 30 June 2020.</p>	18/04/2023

Source: OAG

## Appendix 3: 2021-22 qualified opinions

Entity	Details of qualification
<b>City of Kalamunda</b>	<p>The City has not recognised 969 assets under Infrastructure assets (Drains) in the financial report at 30 June 2022. These assets have been included in the City's Asset Management System at nil values however, they were never recorded in the Fixed Assets Register and revalued to their fair value. As these assets have not been recognised in the financial report at fair value in accordance with <i>Regulation 17A(2)(a) of the Local Government (Financial Management) Regulations 1996</i>, we are unable to determine the extent to which Infrastructure – Drains balance reported in Note 9 of the financial report at \$123,730,140 at 30 June 2022 (2021: \$124,550,736) is misstated, as it is impracticable to do so.</p> <p>Additionally, there is a consequential impact on Depreciation, Infrastructure, Revaluation Surplus and Retained Earnings.</p>
<b>City of Mandurah</b>	<p>As detailed in Notes 8 and 9 to the financial report, at 30 June 2022 the total carrying value of the City's property, plant and equipment assets was \$272.2 million and infrastructure assets was \$761.9 million. For property, plant and equipment and infrastructure recorded at fair value, any movements are recognised in revaluation surplus, the balance of which was \$808.7 million at 30 June 2022. For the year ended 30 June 2022, the City recognised a depreciation expense of \$32.4 million and changes in the asset revaluation surplus of \$97.0 million in relation to these assets in the Statement of Comprehensive Income by Nature or Type.</p> <p>Management have indicated that there are gaps in their control processes, and they are not confident with the overall completeness of their fixed asset register at 30 June 2022.</p> <p>Consequently, we were unable to obtain sufficient appropriate audit evidence that all property, plant and equipment and infrastructure had been recorded and valued nor could we confirm this by alternative means. We are therefore unable to determine whether any adjustments to property, plant and equipment, infrastructure, revaluation surplus, depreciation expense and changes in asset revaluation surplus were necessary.</p>
<b>Shire of Boyup Brook</b>	<p>Biological assets –</p> <p>During 2020-21, we were unable to obtain sufficient appropriate audit evidence to verify the opening balance of biological assets nor were we able to confirm it by alternative means. Since the opening balance of biological assets for the year ended 30 June 2021 affects the determination of operations, we were unable to determine whether any adjustments to the Net result for the year ended 30 June 2021 was necessary. The opinion on the financial report for the period ended 30 June 2021 was modified accordingly.</p> <p>The opinion on the current year financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.</p>
<b>Shire of Goomalling</b>	<p>Roads, drainage and footpaths reported at values of \$38,834,816 (2021: \$37,561,502), \$2,194,289 (2021: \$2,235,092) and \$732,466 (2021: \$756,040) respectively in Note 8 (a) of the financial report as at 30 June 2022 were not revalued as required by <i>Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996</i> since 2014-15. Consequently, we are unable to determine the extent to which the net carrying amount of these classes of assets is misstated, as it was impracticable to do so. Additionally, we are unable to</p>

Entity	Details of qualification
	determine whether there may be any consequential impact on Depreciation, Revaluation Surplus, Retained Earnings and Note 23 (d) Total Assets Classified by Function and Activity.
<b>Shire of Mount Magnet</b>	The Shire's operating grants, subsidies and contributions of \$2,650,673, Capital grants, subsidies and contributions of \$521,726 reported in Note 2 (a) and Contract Liabilities of \$110,545 reported within Note 12 of the financial report as at 30 June 2022 were not assessed in accordance with the requirements of AASB 15 <i>Revenue from Contracts with Customers</i> or AASB 1058 <i>Income of Not-for-Profit Entities</i> . We are unable to determine the extent to which these amounts are misstated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
<b>Shire of Nannup</b>	Infrastructure reported at the carrying value of \$100,707,176 in the financial report as at 30 June 2022 has not been revalued as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 since 2016-17. Consequently, we were unable to determine the extent to which the carrying amount of Infrastructure is misstated, as it was impracticable to do so. Additionally, we were unable to determine whether there may be any consequential impact on Revaluation Surplus and Note 21(d) Total Assets by Function and Activity.
<b>Shire of Plantagenet</b>	<p>The Shire has not valued 71 newly identified assets included under Other Infrastructure and Parks and Ovals in the financial report at 30 June 2022 at fair value in accordance with Regulation 17A(2)(a) of the Local Government (Financial Management) Regulations 1996. Consequently, we were unable to determine the extent to which Infrastructure – Other Infrastructure and Infrastructure – Parks and Ovals balances reported in Note 9(a) of the financial report for \$16,954,536 and \$6,792,411 respectively as at 30 June 2022 are misstated, as it is impracticable to do so.</p> <p>Additionally, we were unable to determine whether there may be any consequential impact on Depreciation, Accumulated Depreciation, Revaluation Surplus and Retained Earnings.</p> <p>Furthermore, the Shire has not disclosed, in the financial report at 30 June 2022, the nature and amount of any corrections that may be required to prior periods for each of the financial statement line items affected by the matter above, as required by AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. We were unable to determine the extent of the misstatements, as it is impracticable to do so.</p>
<b>Shire of Sandstone</b>	<p>Road and footpaths infrastructure assets –</p> <p>The opinion was qualified in the prior period because the Shire had not revalued its roads and footpaths infrastructure assets stated at \$37,755,629 and \$71,845 respectively with sufficient regularity or in accordance with Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996. The Shire was unable to make the appropriate corrections for these prior year figures in the current year. Consequently, the opinion on the current year financial report is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures in Note 8 of the financial report.</p>
<b>Shire of Wiluna</b>	<p>Airport and Other Infrastructure Assets –</p> <p>The revaluations of the Shire's Airport and Other infrastructure assets reported at \$5,353,146 and \$2,284,337 respectively in Note 9(a) of the financial report as at 30 June 2022 were not supported with</p>



Entity	Details of qualification
	<p>appropriate and complete accounting records. Consequently, I was unable to determine the extent to which the carrying amounts of Airports and Other infrastructure assets are misstated, as it was impracticable to do so. Additionally, I was unable to determine whether there may be any consequential impact on Depreciation, Revaluation Surplus and Note 25 (d) Total Assets Classified by Function and Activity.</p> <p>Financial report corresponding figures not supported with complete and accurate underlying records –</p> <p>A disclaimer of opinion was issued on the financial report for the year ended 30 June 2021 as the Shire’s financial report was not supported with complete and accurate underlying records. Consequently, we were unable to determine whether any adjustments were necessary to the comparative information for the year ended 30 June 2021.</p>
<b>Shire of Woodanilling</b>	<p>The Shire’s Land and Buildings, reported at values as at 30 June 2022 of \$498,000 and \$4,942,954 respectively in Note 8 of the annual financial report, were last valued in June 2017. Because the assets have not been revalued with sufficient regularity or in accordance with Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996, we were unable to determine whether Land and Buildings assets at 30 June 2022 of \$5,440,954 in the Statement of Financial Position is fairly stated. Additionally, we were unable to determine whether any adjustments are necessary to the related balances and disclosures of Revaluation Surplus in the Statement of Financial Position and Statement of Changes in Equity and Note 14, Other Comprehensive Income in the Statement of Comprehensive Income and Note 21(d) Total Assets Classified by Function and Activity, as it was impracticable to do so.</p>

Source: OAG

## Appendix 4: Emphasis of matters paragraphs included in auditor's reports

The following list describes the matters that we highlighted through EoM paragraphs in 2022 audit reports:

Entity	Description of emphasis of matter paragraphs
<b>City of Joondalup</b>	Restatement of comparative balances – The opinion draws attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>City of Kalamunda</b>	Restatement of comparative balances – The opinion draws attention to Note 34 to the financial report, which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in the financial report. The opinion is not modified in respect of this matter.
<b>City of Karratha</b>	Restatement of comparative figures – We draw attention to Note 32 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>City of Rockingham</b>	Infrastructure assets revaluation – The opinion draws attention to Note 18 of the financial report which explains the basis for the significant infrastructure assets revaluation decrement in the year ended 30 June 2022. The opinion is not modified in respect of this matter.
<b>Pilbara Regional Council</b>	Basis of accounting – The opinion draws attention to Note 1(a) of the financial report, which discloses that the Council agreed to wind up Pilbara Regional Council. Consequently, the annual financial report has been prepared on a liquidation basis. The opinion is not modified in respect of this matter.
<b>Rivers Regional Council</b>	Basis of accounting – The opinion draws attention to Note 1(a) of the financial report, which discloses that the Council has decided to windup Rivers Regional Council. Consequently, the financial report has been prepared on a liquidation basis. The opinion is not modified in respect of this matter.
<b>Shire of Broome</b>	Restatement of comparative balances – The opinion draws attention to Note 31 to the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Broomehill-Tambellup</b>	Restatement of comparative balances – The opinion draws attention to Note 29 to the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Dalwallinu</b>	Restatement of comparative balances - The opinion draws attention to Note 28 to the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.

Entity	Description of emphasis of matter paragraphs
<b>Shire of Denmark</b>	Restatement of comparative balances – The opinion draws attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Derby – West Kimberley</b>	Restatement of comparative figures – The opinion draws attention to Note 27 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Irwin</b>	Restatement of comparative balances – The opinion draws attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Kent</b>	Restatement of comparative balances – The opinion draws attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Koorda</b>	Restatement of comparative figures – The opinion draws attention to Note 25 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Menzies</b>	Restatement of comparative balances – The opinion draws attention to Note 28 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Merredin</b>	Restatement of comparative balances – The opinion draws attention to Note 26 of the financial report, which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
<b>Shire of Mount Marshall</b>	Basis of accounting - The opinion draws attention to Note 1 and 11 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire’s annual financial reporting responsibilities under the Act. Including the Local Government (Financial Management) Regulations 1996 (Regulations). The opinion is not modified in respect of these matters:  (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 Leases which would have required the entity to measure the vested improvements also at zero cost.  (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

Source: OAG

## Appendix 5: Material uncertainty related to going concern

Entity	Description
<b>Bunbury-Harvey Regional Council</b>	The opinion draws attention to Note 19 in the financial report which indicates that the Regional Council has a negative retained surplus as at 30 June 2022 and that all reserves would be required to be utilised to cover the liability for the capping of the landfill. As stated in Note 19, these events indicate that a material uncertainty exists that may cast significant doubt on the Regional Councils' ability to continue as a going concern. The opinion is not modified in respect of this matter.

Source: OAG

## Appendix 6: Certifications issued

In addition to annual auditor's reports, we issued the following 212 LRCI and RtR certifications as at 30 June 2023.

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
City of Albany	31/10/2022	1/11/2022
City of Armadale	9/02/2023	9/02/2023
City of Bayswater	4/11/2022	Audit in progress
City of Belmont	26/10/2022	26/10/2022
City of Bunbury	21/10/2022	24/10/2022
City of Busselton	21/10/2022	25/10/2022
City of Canning	2/11/2022	2/11/2022
City of Cockburn	31/10/2022	31/10/2022
City of Fremantle	8/12/2022	28/02/2023
City of Gosnells	31/10/2022	31/10/2022
City of Greater Geraldton	27/10/2022	2/11/2022
City of Joondalup	23/11/2022	23/11/2022
City of Kalamunda	26/10/2022	31/10/2022
City of Kalgoorlie-Boulder	Audit in progress	Audit in progress
City of Karratha	1/11/2022	Audit in progress
City of Kwinana	4/11/2022	9/11/2022
City of Mandurah	1/11/2022	31/10/2022
City of Melville	2/11/2022	9/11/2022
City of Nedlands	Audit in progress	Audit in progress
City of Perth	4/11/2022	8/11/2022
City of Rockingham	12/12/2022	12/12/2022
City of South Perth	8/11/2022	10/11/2022
City of Stirling	23/10/2022	21/12/2022
City of Subiaco	1/11/2022	7/11/2022
City of Swan	1/11/2022	1/11/2022
City of Vincent	27/10/2022	31/10/2022
City of Wanneroo	2/11/2022	2/11/2022
Shire of Ashburton	4/11/2022	Audit in progress
Shire of Augusta-Margaret River	1/11/2022	2/11/2022
Shire of Beverley	31/10/2022	19/05/2023
Shire of Boddington	31/10/2022	23/03/2023
Shire of Boyup Brook	4/11/2022	Audit in progress

**(Appendix AAR:8.4B)**

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Bridgetown-Greenbushes	7/11/2022	8/12/2022
Shire of Brookton	31/10/2022	1/11/2022
Shire of Broome	20/12/2022	10/02/2023
Shire of Broomehill-Tambellup	Audit in progress	Audit in progress
Shire of Bruce Rock	1/11/2022	14/06/2023
Shire of Capel	2/06/2023	7/06/2023
Shire of Carnamah	16/12/2022	Audit In progress
Shire of Carnarvon	2/11/2022	20/12/2022
Shire of Chapman Valley	31/10/2022	8/11/2022
Shire of Chittering	2/11/2022	23/05/2023
Shire of Christmas Island	Audit in progress	Audit in progress
Shire of Cocos (Keeling) Islands	15/12/2022	20/12/2022
Shire of Collie	31/01/2023	Audit in progress
Shire of Coolgardie	1/12/2022	1/12/2022
Shire of Coorow	24/11/2022	Audit in progress
Shire of Corrigin	23/10/2022	17/05/2023
Shire of Cranbrook	25/10/2022	2/11/2022
Shire of Cuballing	Audit in progress	Audit in progress
Shire of Cue	31/10/2022	Audit in progress
Shire of Cunderdin	27/06/2023	13/06/2023
Shire of Dalwallinu	31/10/2022	31/10/2022
Shire of Dandaragan	2/11/2022	3/11/2022
Shire of Dardanup	3/04/2023	3/04/2023
Shire of Denmark	25/10/2022	14/11/2022 6/02/2023 – Phase 3
Shire of Derby-West Kimberley	Audit in progress	Audit in progress
Shire of Donnybrook-Balingup	31/10/2022	7/03/2023
Shire of Dowerin	24/10/2022	5/04/2023
Shire of Dumbleyung	14/11/2022	7/12/2022
Shire of Dundas	30/10/2022	Audit in progress
Shire of East Pilbara	Audit in progress	Audit in progress
Shire of Esperance	23/06/2023	Audit in progress
Shire of Exmouth	1/03/2023	3/03/2023
Shire of Gingin	31/10/2022	29/06/2023
Shire of Gnowangerup	28/10/2022	31/01/2023
Shire of Goomalling	30/10/2022	Audit in progress

**(Appendix AAR:8.4B)**

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Halls Creek	30/05/2023	Audit in progress
Shire of Harvey	2/11/2022	7/12/2022
Shire of Irwin	23/01/2023	28/02/2023
Shire of Jerramungup	27/10/2022	31/10/2022
Shire of Katanning	21/04/2023	Audit in progress
Shire of Kellerberrin	25/10/2022	10/05/2023
Shire of Kent	23/10/2022	24/10/2022
Shire of Kojonup	26/10/2022	Audit in progress
Shire of Kondinin	30/10/2022	Audit in progress
Shire of Koorda	9/11/2022	Audit in progress
Shire of Kulin	27/10/2022	10/11/2022
Shire of Lake Grace	25/10/2022	24/03/2023
Shire of Laverton	4/11/2022	Audit in progress
Shire of Leonora	27/10/2022	7/10/2022
Shire of Manjimup	Audit in progress	Audit in progress
Shire of Meekatharra	26/10/2022	26/10/2022
Shire of Menzies	3/11/2022	22/11/2022
Shire of Merredin	23/06/2023	9/03/2023
Shire of Mingenew	31/10/2022	14/11/2022
Shire of Moora	Audit in progress	Audit in progress
Shire of Morawa	26/10/2022	31/10/2022
Shire of Mount Magnet	Audit in progress	Audit in progress
Shire of Mount Marshall	14/04/2023	26/05/2023
Shire of Mukinbudin	1/11/2022	Audit in progress
Shire of Mundaring	20/03/2023	20/03/2023
Shire of Murchison	12/12/2022	Audit in progress
Shire of Murray	31/10/2022	21/06/2023
Shire of Nannup	18/11/2022	10/03/2023
Shire of Narembeen	18/05/2023	Audit in progress
Shire of Narrogin	27/10/2022	27/10/2022
Shire of Ngaanyatjarraku	22/12/2022	26/10/2022
Shire of Northam	16/11/2022	8/12/2022
Shire of Northampton	1/11/2022	11/05/2023
Shire of Nungarin	3/11/2022	Audit in progress
Shire of Peppermint Grove	Audit in progress	Audit in progress

**(Appendix AAR:8.4B)**

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Perenjori	25/11/2022	25/11/2022
Shire of Pingelly	27/10/2022	24/11/2022
Shire of Plantagenet	3/11/2022	31/10/2022
Shire of Quairading	Audit in progress	Audit in progress
Shire of Ravensthorpe	16/12/2022	2/05/2023
Shire of Sandstone	31/10/2022	Audit in progress
Shire of Serpentine-Jarrahdale	31/10/2022	17/05/2023
Shire of Shark Bay	27/10/2022	27/10/2022
Shire of Tammin	26/10/2022	22/12/2022
Shire of Three Springs	1/11/2022	Audit in progress
Shire of Toodyay	Audit in progress	Audit in progress
Shire of Trayning	16/02/2023	Audit in progress
Shire of Upper Gascoyne	24/10/2022	26/10/2022 1/11/2022 – Phase 3
Shire of Victoria Plains	1/11/2022	7/11/2022
Shire of Wagin	27/10/2022	22/12/2022
Shire of Wandering	Audit in progress	Audit in progress
Shire of Waroona	27/10/2022	21/12/2022
Shire of West Arthur	25/10/2022	28/11/2022
Shire of Westonia	1/11/2022	23/06/2023
Shire of Wickelbin	25/10/2022	Audit in progress
Shire of Williams	3/04/2023	3/04/2023
Shire of Wiluna	Audit in progress	Audit in progress
Shire of Wongan-Ballidu	26/10/2022	26/10/2022
Shire of Woodanilling	31/10/2022	14/03/2023
Shire of Wyalkatchem	24/10/2022	14/11/2022
Shire of Wyndham-East Kimberley	Audit in progress	Audit in progress
Shire of Yalgoo	Audit in progress	Audit in progress
Shire of Yilgarn	8/11/2022	Audit in progress
Shire of York	Audit in progress	Audit in progress
Town of Bassendean	31/10/2022	3/11/2022
Town of Cambridge	Audit in progress	Audit in progress
Town of Claremont	18/05/2023	Audit in progress
Town of Cottesloe	17/04/2023	Audit in progress
Town of East Fremantle	27/10/2022	21/12/2022



Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Town of Mosman Park	4/11/2022	10/11/2022
Town of Port Hedland	Audit in progress	Audit in progress
Town of Victoria Park	1/05/2023	12/05/2023

Source: OAG

We issued the following certifications regarding pensioner deferments:

Entity	Date certification issued
Claims by administrative authorities – Pensioner deferments under the <i>Rates and Charges (Rebates and Deferments) Act 1992</i>	
City of Belmont	22/12/2022
City of Busselton	31/10/2022
City of Gosnells	31/01/2023
City of Joondalup	31/10/2022
City of Kalamunda	15/02/2023
City of South Perth	17/02/2023
City of Vincent	22/11/2022
Shire of Brookton	Audit in progress
Shire of Dandaragan	Audit in progress
Shire of Narrogin	2/02/2023
Shire of York	Audit in progress
Town of Cambridge	Audit in progress
Town of Mosman Park	22/12/2022

Source: OAG

We also issued the following three other certifications:

Entity certification	Date certification issued
Other certifications	
City of Bunbury – Regional Exhibition Tourist Boost	19/12/2022
City of Kalamunda – Development Contribution Area 1 – Forrestfield Light Industrial Area – Stage 1	31/01/2023
Shire of Dandaragan – Jurien Bay Civic Centre Outgoings for DBCA Tenancy	8/11/2022

Source: OAG

## Appendix 7: Other opinions and certifications issued since 22 December 2022

### Opinions

Entity	Opinion relates to	Opinion issued
Family Court of Western Australia	Audit report on the Statement of Financial Position at 30 June 2022	6/07/2023
Edith Cowan University	Higher Education Research Data Collection	28/06/2023
Curtin University	Higher Education Research Data Collection	29/06/2023
Murdoch University	Higher Education Research Data Collection	29/06/2023
University of Western Australia	Higher Education Research Data Collection	26/06/2023

Source: OAG

### Certifications

The following certifications were for the year ended 30 June 2022. The statements prepared by management were confirmed and no adverse reports were issued.







Entity	Certification relates to	Approved projects	Opinion issued
Public Transport Authority	Statement of Receipts and Expenditure Under the National Partnership Agreement on Land Transport Infrastructure Projects	Perth to Bunbury Faster Rail Business Case Platform and Signalling Upgrade Program METRONET: Bellevue Depot Relocation METRONET: Denny Avenue Level Crossing Removal METRONET: Midland Station Project METRONET: Morley-Ellenbrook Line METRONET: Thornlie-Cockburn Link METRONET: Yanchep Rail Extension METRONET: Lakelands Business Case METRONET: Business Case Development Karel Avenue Bridge Over Rail Nicholson Road Grade Separation Lakelands Station Delivery Mandurah Station Parking Bays	02/06/2023

































Source: OAG

## Appendix 8: Completion of 2020-21 local government entity audits

Outstanding 2020-21 local government entities audited since last audit results report.

### Key

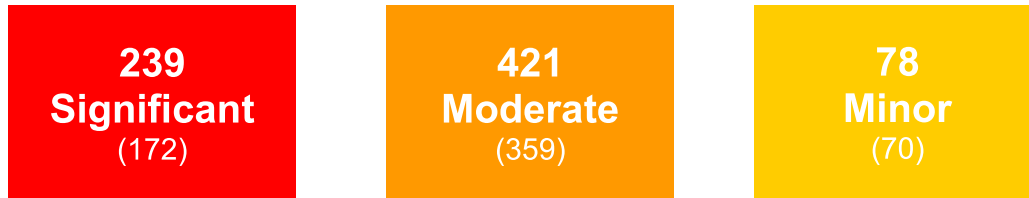
Type of audit opinion		Financial statement (FS) timeliness	
Clear		Received by the statutory deadline of 30 September 2022	
Clear opinion with emphasis of matter or matter of significance paragraph		Extension to the statutory deadline was granted and met	
Qualified or a disclaimer of opinion		Extension or statutory deadline was not met	

Entity	Type of opinion	Opinion issued	FS timeliness
City of Bayswater		02/09/2022	
City of Fremantle		05/05/2022	
Shire of Ashburton		22/12/2022	
Shire of Boyup Brook		06/09/2022	
Shire of Broomehill-Tambellup		02/08/2022	
Shire of Carnarvon		11/10/2022	
Shire of Derby-West Kimberley		10/10/2022	
Shire of Merredin		09/08/2022	
Shire of Moora		17/08/2022	
Shire of Murchison		02/08/2022	
Shire of Ravensthorpe		28/07/2022	
Shire of Toodyay		02/06/2023	
Shire of Wiluna		22/12/2022	
Shire of Woodanilling		06/07/2022	
Shire of Yalgoo		18/04/2023	
Town of Cambridge		29/03/2023	

Source: OAG

### Audit results

The information below represents the updated information from that previously reported in the 2020-21 local government results report, now that the 16 outstanding local government entity audits have been completed.



Source: OAG



Source: OAG

*Note: The numbers in brackets are the figures reported at August 2022.*

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## Auditor General's 2023-24 reports

Number	Title	Date tabled
3	Financial Audit Results – Local Government 2021-22	23 August 2023
2	Electricity Generation and Retail Corporation (Synergy)	9 August 2023
1	Requisitioning of COVID-19 Hotels	9 August 2023

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Office of the Auditor General  
for Western Australia



## RISK ASSESSMENT TOOL

**OVERALL RISK EVENT:** Western Australian Auditor General – Schedule of Reports

**RISK THEME PROFILE:**

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

**RISK ASSESSMENT CONTEXT:** Strategic

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
<b>HEALTH</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>FINANCIAL IMPACT</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>SERVICE INTERRUPTION</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>LEGAL AND COMPLIANCE</b>	Not considering the risks, controls and recommendations arising from the Auditor General's report could have an impact on Council not meeting its compliance requirements.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
<b>REPUTATIONAL</b>	Council's reputation could be seen in a negative light for not adhering to its requirement to fulfil duties and functions that are prescribed in legislation.	Moderate (3)	Unlikely (2)	Moderate (5 - 11)	Not required.	Not required.	Not required.	Not required.
<b>ENVIRONMENT</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>PROPERTY</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

RISK ASSESSMENT TOOL								
<b>OVERALL RISK EVENT:</b>		2024 Annual Audit Work Plan						
<b>RISK THEME PROFILE:</b>		3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)						
<b>RISK ASSESSMENT CONTEXT:</b>		Operational						
CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Not considering the Annual Work Plan would not be in line with the Audit and Risk Committee Charter.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to the Audit and Risk Committee Charter.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	* Apr/ May 23	14 Jun 23	13 Sep 23	6 Dec 23
<b>1. Committee Operation</b>					
Biennial review of the Charter (Terms of Reference). <i>Next Due 2023.</i>	This will be considered at OCM pre-election date.				
Agree on the annual audit work plan; and set priority areas for the coming year.					✓
Annual confirmation that all responsibilities outlined in the Charter have been carried out. The annual confirmation will be reported through to Council and will include information about the Committee and the outcomes delivered during the period.					✓
New members are briefed on their appointment to assist them to meet their Committee responsibilities. <i>Next Due 2023.</i>					✓
Appointment of Presiding Member and Deputy Presiding Member. <i>Next Due 2023.</i>					✓
<b>2. Risk Management</b>					
To consider the Risk Management Governance Framework (once in every 3 years) for appropriateness and effectiveness. Current Framework adopted: OCM 14-08-2019 [Res 250-19]	✓				
Receive the biannual dashboard report			✓		✓
<b>3. Legislative Compliance</b>					
Review the annual Compliance Audit Return (CAR) and report to the Council the results of that review.	✓				
Receive the biannual compliance report resulting from the Compliance Manual (incorporating the annual calendar).	✓			✓	
<b>4. Internal Audit</b>					

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	* Apr/ May 23	14 Jun 23	13 Sep 23	6 Dec 23
Review annually the internal audit annual work plan, including any reports produced as part of special assignments undertaken by internal audit.				✓	
<b>5. Financial Reporting</b>					
Consider and recommend adoption of the Annual Financial Report to Council.					✓
<b>6. External Audit (OAG)</b>					
Audit Entrance Meeting with Chair and Deputy Chair as representatives of the Audit and Risk Committee, Management and Council Auditors.		*			
To meet with the auditor, at least once per year without management present (closed door session). The Committee will discuss matters relating to the conduct of the audit, including any difficulties encountered, restrictions on scope of activities or access to information, significant disagreements with management and adequacy of management responses.					✓
Examine the reports of the auditor to – i.) determine if any matters raised require action to be taken by the local government; and ii.) ensure that appropriate action is taken in respect of those matters.					✓
Audit Exit Meeting with Audit and Risk Committee, Management and Council Auditors. To meet with the auditor, once in each year and provide a report to Council on the matters discussed and the outcome of those discussions.					✓

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	* Apr/ May 23	14 Jun 23	13 Sep 23	6 Dec 23
To consider that relevant mechanisms are in place to review and implement, where appropriate, issues raised in OAG better practice guides and performance audits of other State and local government entities.	✓		✓	✓	✓
<b>7. Regulation 17 Triennial Review (report next Due: March 2024)</b>					
To consider the CEO's triennial review on risk management, internal control and legislative compliance.	Not Applicable – next due 2024				
Set the action plan arising from auditor recommendations from the Regulation 17 review.	Not Applicable – next due 2024				
Receive an update on the action plan arising from auditor recommendations from the <b>2021</b> Regulation 17 review (until all action items are completed).	✓				
<b>8. Financial Management Systems Triennial Review (report next Due: March 2025)</b>					
To consider the Financial Management Systems Review required every three years under Regulation 5 of the Local Government (Financial Management) Regulations 1996, and report to Council the results of that review.	Not Applicable – next due 2025				
Set the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – next due 2025				
Receive an update on the action plan arising from auditor recommendations from the Financial Management Systems Review.	Not Applicable – next due 2025				
<b>9. Governance Health &amp; Financial Sustainability 4-Yearly Review (report next Due: November/December 2023)</b>					
To consider the CEO's Governance Health and Financial Sustainability Review, and report to the Council the results of that review.	Not Applicable – next due 2023				

AUDIT AND RISK COMMITTEE – 2023 ANNUAL AUDIT WORK PLAN					
FUNCTIONS, RESPONSIBILITIES & ASSOCIATED ACTIVITIES	15 Mar 23	* Apr/ May 23	14 Jun 23	13 Sep 23	6 Dec 23
Set the action plan arising from the recommendations from the review.	Not Applicable – next due 2023				
Receive an update on the action plan arising from the recommendations from the review.	Not Applicable – next due 2023				
Undertake an independent external assessment of the Committee at least once in every three years. This assessment may be included in the scope of the Governance Health and Financial Sustainability Review.	Not Applicable – next due 2023				
<b>10. Information Systems Security Audit</b>					
Receive the audit report arising from the 2 yearly Information Systems Security Audit. <i>Report Next Due: 31-12-2024</i>	Not Applicable – next due 2024				
Set the action plan arising from the recommendations from the Information Systems Security Audit. <i>Report Next Due: 31-12-2024</i>	Not Applicable – next due 2024				
Receive an update on the action plan arising from the recommendations from the 2022 Information Systems Security Audit.	✓	✓	✓	✓	✓

*\* A minimum of four meetings per annum is required, however an additional meeting may be scheduled for April/May 2022 that serves as an audit entrance meeting with Council's appointed Auditors, Chair and Deputy Chair as representatives of the Audit and Risk Committee and management.*

## RISK ASSESSMENT TOOL

**OVERALL RISK EVENT:** Confirmation of Completed Committee Responsibilities

**RISK THEME PROFILE:**

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

**RISK ASSESSMENT CONTEXT:** Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
HEALTH	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
FINANCIAL IMPACT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required	Not required.	Not required.	Not required.
SERVICE INTERRUPTION	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
LEGAL AND COMPLIANCE	Not confirming the committees responsibilities that have been completed would not be in line with the recommendations from the Auditor General's publication (Better Practice Guide), or the Audit and Risk Committee Charter.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
REPUTATIONAL	Council's reputation could be seen in a negative light for not adhering to the functions of the Charter or the Better Practice Guide.	Moderate (3)	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
ENVIRONMENT	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
PROPERTY	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.





Our Ref: 6275-015/07

Mr Andre Schonfelt  
Chief Executive Officer  
Shire of Dardanup  
PO Box 7016  
EATON WA 6232

Email: [ceo@dardanup.wa.gov.au](mailto:ceo@dardanup.wa.gov.au)

Dear Mr Schonfelt

#### **EXTENSION OF CONTRACT AUDIT FIRM**

As you are aware, we engaged Moore Australia to conduct the financial audit of your entity on our behalf. The contract term was to 30 June 2023 with an option for a further 2 years. We recently asked the contractor to submit quotes for a contract extension for the financial years ending 30 June 2024 and 30 June 2025, which we have now accepted.

Unfortunately, there has been an increase in the contractor's audit fee. We have undertaken this process for a number of entities and have seen similar increases in the contractor's fee. As we operate on a cost recovery basis, this will result in an increase to your audit fee.

The fee increases were due to factors such as CPI, current market rates, increase in travel costs and in some instances an increase in audit hours required to complete the audits

We appreciate the need to minimise the cost of financial audits; however, this needs to be balanced against having quality firms, with the relevant experience, conducting our audits.

The purpose of this letter is to alert you to the increase in contract audit costs. We are currently reviewing the 2023-24 audit fees and will advise you of your fee in the coming months.

Should you wish to discuss any aspect of this matter, please contact me on 6557 7536.

Yours sincerely

Efthalia Samaras  
Acting Assistant Auditor General  
Financial Audit  
2 November 2023

(Appendix AAR: 8.7A)



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### RISK ASSESSMENT TOOL

**OVERALL RISK EVENT:** Audit Contract - Extension

**RISK THEME PROFILE:**

3 - Failure to Fulfil Compliance Requirements (Statutory, Regulatory)

Choose an item.

Choose an item.

Choose an item.

**RISK ASSESSMENT CONTEXT:** Operational

CONSEQUENCE CATEGORY	RISK EVENT	PRIOR TO TREATMENT OR CONTROL			RISK ACTION PLAN (Treatment or controls proposed)	AFTER TREATMENT OR CONTROL		
		CONSEQUENCE	LIKELIHOOD	INHERENT RISK RATING		CONSEQUENCE	LIKELIHOOD	RESIDUAL RISK RATING
<b>HEALTH</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>FINANCIAL IMPACT</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>SERVICE INTERRUPTION</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>LEGAL AND COMPLIANCE</b>	Risk of Council breaching the Local Government Act 1995 – that an Auditor is not appointed by the OAG, to carry out the audit of the 2022/23 Annual Financial Report.	Not Required - No Risk Identified	Rare (1)	Low (1 - 4)	Not required.	Not required.	Not required.	Not required.
<b>REPUTATIONAL</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>ENVIRONMENT</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.
<b>PROPERTY</b>	No risk event identified for this category.	Not Required - No Risk Identified	N/A	N/A	Not required.	Not required.	Not required.	Not required.

