



AGENDA

23rd of NOVEMBER 2022

AUDIT COMMITTEE MEETING

To be held at the Shires Administration Building situated at Gascoyne Junction
commencing at 9:30am

DISCLAIMER

Disclaimer

The advice and information contained herein is given by and to the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written inquiry should be made to the Council giving entire reasons for seeking the advice or information and how it is proposed to be used.

Please note this agenda contains recommendations which have not yet been adopted by Council.

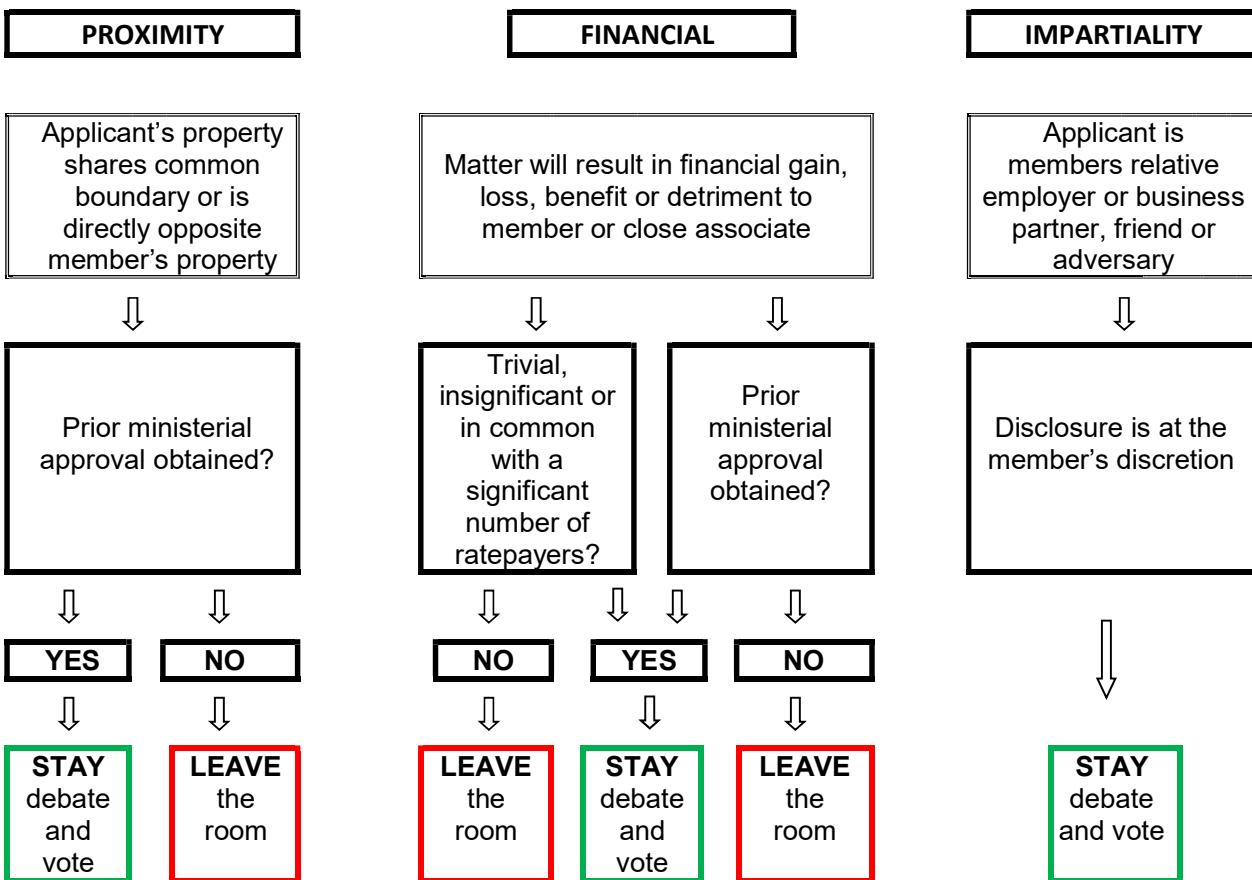
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John McCleary, JP
CHIEF EXECUTIVE OFFICER

* Declaring an Interest



Local Government Act 1995 - Extract

5.65 - Members' interests in matters to be discussed at meetings to be disclosed.

(1) A member who has an interest in any matter to be discussed at a council or committee meeting that will be attended by the member must disclose the nature of the interest:

(a) in a written notice given to the CEO before the meeting; or (b) at the meeting immediately before the matter is discussed. (Penalties apply).

(2) It is a defense to a prosecution under this section if the member proves that he or she did not know:

(a) that he or she had an interest in the matter; or (b) that the matter in which he or she had an interest would be discussed at the meeting.

(3) This section does not apply to a person who is a member of a committee referred to in section 5.9(2)(f).

5.70 - Employees to disclose interests relating to advice or reports.

(1) In this section: 'employee' includes a person who, under a contract for services with the local government, provides advice or a report on a matter.

(2) An employee who has an interest in any matter in respect of which the employee is providing advice or a report directly to the council or a committee must disclose the nature of the interest when giving the advice or report.

(3) An employee who discloses an interest under this section must, if required to do so by the council or committee, as the case may be, disclose the extent of the interest. (Penalties apply).

5.71 - Employees to disclose interests relating to delegated functions.

If, under Division 4, an employee has been delegated a power or duty relating to a matter and the employee has an interest in the matter, the employee must not exercise the power or discharge the duty and:

(a) in the case of the CEO, must disclose to the mayor or president the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter; and (b) in the case of any other employee, must disclose to the CEO the nature of the interest as soon as practicable after becoming aware that he or she has the interest in the matter. (Penalties apply).

'Local Government (Administration) Regulations 1996 - Extract

In this clause and in accordance with Regulation 34C of the Local Government (Administration) Regulations 1996:

"Interest" means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.



SHIRE OF UPPER GASCOYNE
AGENDA FOR THE AUDIT MEETING OF COUNCIL TO BE HELD AT GASCOYNE JUNCTION
SHIRE OFFICES ON WEDNESDAY THE 23RD of NOVEMBER 2022 9:30AM

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SHIRE OF UPPER GASCOYNE
AGENDA FOR THE AUDIT MEETING OF COUNCIL TO BE HELD AT GASCOYNE JUNCTION SHIRE
OFFICES ON WEDNESDAY THE 23RD OF NOVEMBER 2022 9:30AM

1. DECLARATION OF OPENING / ANNOUNCEMENTS OF VISITORS

The Deputy President welcomed those present and declared the meeting

Open at ____am.

2. APOLOGIES AND APPROVED LEAVE OF ABSENCE

2.1 Councillors

| | |
|---------------|------------------|
| Cr. J. Caunt | Deputy President |
| Cr. B. Walker | Councillor |

Staff

| | |
|------------------|---|
| John McCleary JP | Chief Executive Officer |
| Sa Toomalatai | Manager of Finance and Corporate Services |

Visitors

| | |
|----------------|---|
| Xuan Shan Ong | Audit Manager, Financial Audit, Office of the Auditor General |
| Conley Manifis | Audit Director, William Buck |
| Kuan Yin Lau | Manager, William Buck |
| Travis Bate | Principal Accountant, RSM Australia Pty Ltd |

Note: Meeting will be scheduled as an online zoom meeting, however if connectivity is poor, visitors will be attending via teleconference.

2.2 Absentees

Nil

2.3 Leave of Absence previously approved

| | |
|-----------------------|--------------------|
| Cr D. Hammarquist OAM | JP Shire President |
| Cr A. McKeough | Councillor |

3. APPLICATION FOR LEAVE OF ABSENCE

Nil

4. PUBLIC QUESTION TIME

4.1 Questions on Notice

Nil

4.2 Questions without Notice

Nil

5. **DISCLOSURE OF INTEREST**

Nil

6. **PETITIONS/DEPUTATIONS/PRESENTATIONS**

Nil

7. **ANNOUNCEMENTS BY THE PERSON PRESCIDING WITHOUT DISCUSSION**

Nil

8. **MATTERS FOR WHICH THE MEETING MAY GO BEHIND CLOSED DOORS**

Nil

9. **CONFIRMATION OF MINUTES FROM PREVIOUS MEETINGS**

Committee Resolution No: AC 01112022

MOVED:

SECONDED:

That the minutes from previous Audit Meeting held on 23rd March 2022 are a true and correct record.

F/A 0/0

10. **REPORTS OF OFFICERS**

10.1 EXIT MEETING WITH OFFICE OF THE AUDITOR GENERAL – AUDIT CONCLUDING YEAR ENDING 30 JUNE 2022

| | |
|-----------------------------------|--|
| Applicant: | Shire of Upper Gascoyne |
| Disclosure of Interest: | Nil |
| Author/s: | Sa Toomalatai – Manager, Finance & Corporate Services William Buck Auditors & Office of the Auditor General (OAG) |
| Date: | 18 th November 2022 |
| Matters for Consideration: | To conduct an exit meeting via online zoom meeting or teleconference with the Director of Financial Audits, Xuan Shan Ong from the Office of the Auditor General (OAG), Conley Manifis and Kuan Yin Lau from William Buck and members of the Shire's Audit Committee. Items noted for discussion by the Shire of Upper Gascoyne's Auditors are outlined in the Agenda provided by William Buck at Appendix 1 and include the following: |

| | <ul style="list-style-type: none"> The Financial Statements for the Year ended 30 June 2022 – an unqualified opinion will be recommended. Please reference the attached Shire of Upper Gascoyne Report to the Audit Committee from William Buck and the OAG for the Year ended 30 June 2022 as contained in Appendix 2. Controls and Legal Compliance Issues – refer to the attached Management Letter under Appendix 3 and note that these matters have already been discussed with and addressed by Shire management staff. Any pending matters and actions for Next Year’s Audit – Fair Value of Infrastructure Assets noted. | | | | |
|----------------------------------|---|---------------------------|---|--|---|
| Background: | Prior to finalising the annual audit process, the OAG conduct a concluding (Exit) audit meeting with the Shire’s Audit Committee. This provides an opportunity to present an overview of their findings and receive feedback. | | | | |
| Comments: | The Shire of Upper Gascoyne Report to the Audit Committee and the Final Management Letter is now presented to the Audit Committee for their information. | | | | |
| Statutory Environment: | Local Government Act 1995 – Division 3 – Conduct of Audit Local Government (Financial Management) Regulations 1996, Part 4, section 6.4 | | | | |
| Policy Implications: | Nil | | | | |
| Financial Implications: | Nil | | | | |
| Strategic Implications: | Civic Leadership – To responsibly manage Council’s financial resources to ensure optimum value for money and sustainable asset management. | | | | |
| Risk: | | | | | |
| Risk | Risk Likelihood (based on history and with existing controls) | Risk Impact / Consequence | Risk Rating (Prior to Treatment or Control) | Principal Risk | Risk Action Plan (Controls or Treatment proposed) |
| Not meeting Statutory Compliance | Rare (1) | Moderate (3) | Low (1-4) | Failure to meet Statutory, Regulatory or Compliance Requirements | Accept Officer Recommendation |

| | | | |
|--|---|------------------|--|
| Consultation: | Various discussions have taken place between the Shire's Management team, the Principal Accountant from RSM, the Auditors from William Buck and the OAG during the process undertaken for the 2021/22 Audit. | | |
| Voting requirement: | Simple Majority | | |
| Officer's Recommendation: | <p><i>That the Audit Committee –</i></p> <ol style="list-style-type: none"> 1. <i>Receive the Shire of Upper Gascoyne Report presented to the Audit Committee by the William Buck Auditors and the OAG, for the year ended 30 June 2022 as contained in Appendix 2.</i> 2. <i>Receive the Final Management Letter for the year ended 30 June 2022 as contained in Appendix 3.</i> | | |
| Council Resolution No: AC02112022 | | | |
| MOVED: | | SECONDED: | |
| CARRIED: 0/0 | | | |

11. MEETING CLOSURE

The Deputy President closed the meeting at ____pm.

APPENDIX 1

(Exit Meeting Agenda - Presented by William Buck & OAG)

Exit Meeting

ANNUAL FINANCIAL AUDIT OF SHIRE OF UPPER GASCOYNE FOR THE YEAR ENDED 30 JUNE 2022

ATTENDEES:

Shire of Upper Gascoyne

| | |
|--------------------|--|
| Cr. James Caunt | Councillor – Audit Committee Member |
| Cr. Blanche Walker | Councillor – Audit Committee Member |
| John McCleary | Chief Executive Officer |
| Mativa Toomalatai | Manager, Finance & Corporate Services |
| Travis Bates | RSM Australia Pty Ltd - Principal Accountant for Shire of Upper Gascoyne |

Office of the Auditor General

| | |
|---------------|--------------------------------|
| Xuan Shan Ong | Audit Manager, Financial Audit |
|---------------|--------------------------------|

William Buck

| | |
|----------------|----------|
| Conley Manifis | Director |
| Kuan Yin Lau | Manager |

Interview Date & Time: 23 November 2022 at 9.30am

Location: via teleconference

Agenda

1. Introduction

2. Matters Arising from the Audit

2.1. Financial Statements – unmodified opinion will be recommended

- No uncorrected misstatement in the financial statements are noted.

2.2. Controls and Legal Compliance Issues

- Issues noted in the final management letter discussed.

3. Actions for Next Year's Audit

- Fair value of infrastructure assets.

4. General & Closing Comments

APPENDIX 2

**(Shire of Upper Gascoyne Report to the Audit Committee for Year
Ending 30 June 2022 - Presented by William Buck & OAG)**

Shire of Upper Gascoyne
Report to the Audit Committee
For the year ending 30 June 2022

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1. Executive Summary

This executive summary provides a brief overview of the more detailed sections covered in the remainder of this report.

| Section | Overview |
|---|--|
| Purpose and scope | This report sets out the major matters arising from this year's audit, which has been performed in order to enable the Auditor General to express an opinion on the Shire of Upper Gascoyne's (the Shire) financial statements. |
| Outstanding matters | <p>Our audit of the financial report is substantially complete. We propose to recommend to the Auditor General to issue an unmodified audit opinion on the financial report subject to the completion of:</p> <ul style="list-style-type: none">— Appropriate procedures relating to subsequent events;— Receipt of the signed management representation letter; and— Certification of the financial report. |
| Basis of preparation of the financial report | The accounting policies adopted are materiality consistent with the accounting policies in the previous annual financial report. |
| Summary of unadjusted differences | There were no unadjusted differences noted for the financial year ended 30 June 2022. |
| Key areas of focus and audit response | <p>Our audit procedures were focused on those activities that are considered to represent the key audit risks identified in our audit plan and through discussions with management during the course of our audit. These areas of focus are consistent with those set out in the Audit Strategy Memorandum tabled at the entrance meeting on 23 March 2022.</p> <p>We are satisfied that these key areas of focus have been addressed appropriately and are properly reflected in the financial report. Please refer to Section 4 of this report for a more detailed discussion on the key areas of focus.</p> |
| Independence | We confirm that we are independent with respect to professional requirements. |

2. Overview

We have conducted an audit of the Shire for the year ended 30 June 2022.

Our audit was performed pursuant to the requirements of the Auditor General Act 2006, with the objective of enabling the Auditor General to express an opinion on the financial report.

Our audit was conducted in accordance with *Local Government Act 1995, Local Government (Financial Management) Regulation 1996* and to the extent that they are not inconsistent with the Act, Australian Accounting Standards to provide reasonable assurance as to whether the financial report is free from material misstatements. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements will be detected

We perform procedures under the Auditor General Act 2006 to assess whether in all material aspects all procedures are performed in accordance with the *Local Government Act 1995, Local Government (Financial Management) Regulation 1996* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Shire's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which include:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Shire.

This report has been prepared to:

- summarise any major changes affecting the Shire during the period;
- report the key issues arising from our audit;
- provide a summary of any significant changes in financial reporting; and
- draw to the attention of the Audit Committee any other matters of relevance.

We also confirm that all significant matters that we have discussed with management are documented in this report and that we are not aware of any other matters that should be brought to the attention of the Audit Committee.

3. Acknowledgement

We would like to take this opportunity to thank John McCleary, Mativa Toomalatai and Cherie Walker and all the support staff of the Shire for their co-operation and assistance during the course of our audit facilitating a smooth year-end audit process.

4. Key Areas of Focus and Audit Response

Our audit procedures were focused on those areas of the Shire's activities that are considered to represent the key audit risks. These areas of focus were identified as a result of:

- The risk assessment process undertaken during the planning phase of our engagement and were presented to management in our Audit Strategy Memorandum;
- Discussions with management during the course of our audit; and
- Review of internal audit reports.

We are satisfied that the key areas of focus have been addressed appropriately and are properly reflected in the financial report:

1. Revenue Recognition

The Shire's main source of revenue are grants, subsidies and contributions, rates and fees and charges which mainly include transport services. Completeness, existence and accuracy of revenue are identified as a risk. We have performed the following:

- control testing on revenue transactions and analytical review;
- cut-off testing and credit notes testing subsequent to the financial year;
- assessed that the Shire's revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income for Not for Profit Entities*; and
- checked that the rates valuation reconciliation received from Landgate has been duly reviewed by a senior officer independent of preparation.

There were no issues noted with the measurement and recognition of revenue. However noted during the cut-off procedure that the invoices tested were not in sequential order as invoices may not be sent out the same day that it is raised.

2. Employee expenses and provisions

Employee expenses is one of the major expenses of the Shire. We have performed control testing on payroll transactions, including but not limited to employment and termination, performed analytical review and reviewed the key method and underlying data managements uses when determining accounting estimates related to provisions.

There were no issues noted with the measurement of employee expense and provision for employee benefits.

3. Materials and contracts

Material and contract expenses is also one of the major expenses of the Shire. We have performed control testing on expenses, including obtaining and reviewing the current policies and procedures implemented, performed analytical review and checked that the current policies and procedures implemented on the procurement process are reviewed regularly and aligned with the Local Government Act and Regulations.

There were no issues noted with the measurement and recognition of material and contract expenses

4. Cash and cash equivalents

The Shire has significant cash and cash equivalent balance. We have performed the following:

- control testing on bank reconciliation, including reviewing the process around approvals for term deposits and renewals;
- performed analytical review, including independently obtaining bank confirmation and investigating any significant exceptions; and
- checked that the end of the day takings between the physical cash count and cash receipting banking deposit listing has been independently reviewed.

There were no issues noted with the existence of cash and cash equivalents.

5. Recoverability of debtors

Collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written off against the allowance account, when objective evidence that the Shire will not be able to collect its debts has been established. Receivables are normally settled within 30 days.

We have performed analytical review, including reviewing the Shire's ongoing assess of collectability of receivables and traced material receivables to subsequent collection.

There were no issues noted with the measurement and recognition of trade and other receivables, including assessment of expected credit losses.

6. Property, plant and equipment and infrastructure

The Shire owns significant amounts of property plant and equipment and infrastructure, whereby an external expert was engaged to perform a valuation on land and building. Impairment, accuracy of the depreciation charge and appropriateness of asset capitalisation are identified as risks.

We have performed analytical review, including the following:

- Obtained and reviewed the main assumptions, valuation techniques and unobservable inputs used in the valuation model;
- recalculating depreciation and reviewing the reasonableness of the assets useful life;
- verified significant additions. No work performed on disposals as the disposal amount is not deemed material;
- evaluated management's assessment of impairment; and
- considered the appropriateness of the accounting treatment of costs incurred as either maintenance or capitalised as asset enhancements.

There were no issues noted with the existence, measurement and recognition of property, plant and equipment and infrastructure. However, we have identified the following finding regarding the Shire's revaluation process:

Frequency of revaluation

Although Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 requires the local government to revalue land, buildings and infrastructures no more than 5 years after the last valuation, we recommend that management consider assessing whether there are trigger

events that would indicate movement in these assets annually. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. Where an entity undertakes the formal valuation internally it is recommended this assessment be peer reviewed (i.e. review the valuation methodology, inputs and model etc for reasonableness) by an approved independent valuer.

7. Disclosure of related party transactions

The Shire has transactions with related parties which are on normal commercial terms and conditions. There is a risk that related party transactions and balances are not appropriately disclosed in the financial report in accordance with the Shire's applicable accounting policies and the relevant accounting standards.

We have performed the following analytical review, including the following:

- reviewed and determined that the Shire's accounting policy is in line with AASB 124 *Related Party Disclosures*;
- enquired and understood the process for identification of related parties, reviewed the register of related party transactions, and assessed whether the disclosures made in the notes to the annual financial report are appropriate; and
- reviewed the signed declarations from Key Management Personnel and ensure appropriate disclosures (if any) have been included in the notes to the annual financial report.

There were no issues noted with the disclosure of related party transactions.

8. Local Government regulations

Regulation 10(3)(b) of the *Local Government (Audit) Regulations 1996* (LG Audit Regulations) requires the auditor to report, in the auditor's report, any matters indicating non-compliance with Part 6 of the *LG Act 1995*, *LG Financial Management Regulations 1996* or applicable financial controls in any other written law. These matters may relate to the financial report or to other financial management matters. There is a risk of breach of the Local Government Regulations.

We have enquired with management of any breaches with the *LG Act 1995* and the *LG Financial Management Regulations 1996* and throughout the audit checked for non-compliance.

There were no non-compliance noted.

9. Financial ratios

Regulation 50 of the *Local Government (Financial Management) Regulations 1996* has been removed during the year. As a result, financial ratios are not required to be included in the annual financial reports by local government for the financial year ended 2022 and future years. As such, the scope of work in relation to the financial ratios were not performed.

5. Control Environment

Accounting systems and controls

As part of our normal statutory audit procedures, we considered the systems and controls existing in respect of the operational and financial activities of the Shire. This allowed us to:

- develop our understanding of the financial and operating procedures;
- document the processes for our permanent files for future reference;
- review the systems for potential weaknesses and assess the likelihood that errors could occur;
- determine our audit approach (including the degree of reliance on internal controls); and
- ensure that the accounting systems and records were sufficient for the preparation of true and fair financial statements.

Our audit is planned and conducted so as to enable us to express a professional opinion on the statutory financial statements. It is not designed, nor can it be expected to disclose, all defalcations or irregularities. Such matters might be revealed during the course of our work. If this were the case, the matters would be reported to you.

Design effectiveness

Our review indicated that, based on the size of the Shire, the current systems and processes are well designed and controlled. We are of the view that the Shire's controls are adequate and comply with relevant legislative provisions. We did not identify any control weaknesses.

6. Independence

Our audit services are subject to the Office of the Auditor General's, William Buck's and applicable Professional Standards requirements, rules and policies regarding auditor independence, as well as certain statutory requirements. We enforce these policies and values in order to maintain objectivity and to be free of conflicts of interest when discharging our professional responsibilities.

The Office of the Auditor General and William Buck understand the importance of our role as auditors in the external reporting framework and we work hard to maintain an extensive system of quality controls over our audit practices including independence.

7. Summary of unadjusted audit differences

In performing our audit of the Shire for the year ended 30 June 2022, we have not identified any unadjusted audit differences.

APPENDIX 3

(Final Management Letter - Presented by William Buck & OAG)

SHIRE OF UPPER GASCOYNE

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

| INDEX OF FINDINGS | RATING | | |
|--|-------------|----------|-------|
| | Significant | Moderate | Minor |
| 1. Accounts Payable Suspense Accounts | | ✓ | |
| 2. Fair value of Infrastructure Assets | ✓ | | |

KEY TO RATINGS

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

- Significant** - Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However, even if the issue is not likely to impact the audit report, it should be addressed promptly.
- Moderate** - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
- Minor** - Those findings that are not of primary concern but still warrant action being taken.

SHIRE OF UPPER GASCOYNE
PERIOD OF AUDIT: YEAR ENDED 2022
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

1. Accounts Payable Suspense Accounts

Finding

As at 30 June 2022, the Shire had numerous suspense accounts amounted to \$13,081 which arose mainly from miscellaneous payments to be refunded unreconciled rates and/or other collection received. The suspense accounts have yet to be reconciled as at 8 September 2022 due to due to timing around confirming payment details with recipients, as of 31 October 2022 majority of these amounts had been cleared.

A similar finding was identified for 30 June 2021 balance, whereby the delay for the reconciliation of the suspense accounts amounted to \$15,246 were due mainly to staff vacancies.

Rating: Moderate

Implication

The suspense account balance (if not reconciled on a timely basis) will continue to grow and there is an increased risk that the reconciliation will become onerous. Consequently, the payments owed will be further delayed if the reconciliation is not performed.

Recommendation

We recommend that the reconciliation of the reconciliation of accounts payable suspense account be performed on a timely basis.

Management Comment

Reconciling the Suspense account is part of our standard End of Month procedures and we recognise the importance of clearing this account on a regular basis due to the reasons highlighted by the Auditors. As we are now a full complement of staff, we have been consistent with the reconciliation process and actively monitor this account to ensure we can clear any pending balances as soon as possible. The balance outstanding as at 8 September was a combination of miscellaneous payments and other items initially received without remittance advice – staff spent a considerable amount of time identifying recipients and then confirming payment details, due to this lengthy process staff were not able to clear some of these items in a timely fashion. However, as noted above, majority of these amounts have been cleared as of 31 October 2022.

Responsible Person: Mativa Toomalatai

Completion Date: 31/12/2022

SHIRE OF UPPER GASCOYNE
PERIOD OF AUDIT: YEAR ENDED 2022
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Fair Value of Infrastructure Assets - Frequency of Valuations

Finding

The Shire has performed an assessment to determine whether its infrastructure assets represent fair value. This assessment has relied on the Shire's internal assessment by management of the current market conditions. This review indicated there were no significant movements or impacts on its infrastructure assets relevant to 30 June 2022.

Whilst acknowledging management's assessment we note that this conclusion appears somewhat inconsistent with the outcomes (revaluation increments) of independent valuations that were obtained for other assets (Land and Buildings and Investment Property).

Rating: Significant

Implication

Without a robust assessment of fair value of Shire's Infrastructure Assets there is a risk that the fair value of infrastructure assets may not have been assessed adequately and in compliance with *AASB 13 Fair Value Measurement*, as well as Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 (the Regulations).

Recommendation

We recommend that the Shire consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist that would trigger a requirement to perform a formal revaluation of Infrastructure Assets. This process is to ensure that the Shire's infrastructure assets are recorded at fair value in compliance with *AASB 13 Fair Value Measurement* and the Regulations.

This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair value of relevant assets are likely to have been impacted to any significant / material extent from the prior year.

Management comment

Management performed an assessment of impairment factors and fair value for all Property, Plant and Equipment and Infrastructure Asset Classes as at 30 June 2022 as documented in the Asset Valuation and Impairment Memo provided to your auditors. The main focus of this assessment was in regard to impairment triggers and downside risks to fair value. The assessment undertaken was consistent with that performed in prior years.

The comment above in relation to revaluation increments for Land and Buildings and Investment Property is not consistent with the revaluations performed by Shire of Upper Gascoyne. The Shire does not have Investment Property. The Land and Buildings asset classes were revalued at 30 June 2022, which resulted in a \$570,150 revaluation decrement for these asset classes (\$405,827 reduction in asset revaluation reserve to \$nil and a further \$165,244 recognised through profit or loss). The decrement equates to 6.3% of the 30 June 2021 Land and Buildings asset class carrying values.

**SHIRE OF UPPER GASCOYNE
PERIOD OF AUDIT: YEAR ENDED 2022
FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

Whilst the Land and Buildings revaluation is one factor to consider in assessing the fair value of other asset classes, for Shire of Upper Gascoyne, this factor in isolation would not suggest that infrastructure asset classes may have materially increased as is contended by finding.

Notwithstanding, the Shire acknowledges changes in the macro economic environment, such as inflation, may impact on replacement costs and will ensure such factors are explicitly addressed in future assessments.

**Responsible person: John McCleary
Completion date: 30/06/2023**