



AGENDA

ANNUAL GENERAL MEETING OF ELECTORS'

DATE: Tuesday, 30 May 2023

TIME: 6.30pm

VENUE: Council Chambers, Lowood
Road, Mount Barker WA 6324



Gary Clark
CHIEF EXECUTIVE OFFICER

BUSINESS

Acceptance of the Annual Report for the year ended 30 June 2022
Receipt of the 2021/2022 Annual Financial Audit and Management Report

MEMBERSHIP – Quorum (5)

Members:

Cr C Pavlovich Shire President
Cr J Oldfield Deputy Shire President
Cr B Bell
Cr K Clements
Cr S Etherington
Cr A Fraser
Cr L Handasyde
Cr M O'Dea
Cr K Woltering

Information and recommendations are included in the reports to assist the Council in the decision making process and may not constitute the Council's decision until considered by the Council.

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1 DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

On establishing there is a quorum, the Presiding Member will declare the meeting open.

The Presiding Member acknowledges the Traditional Custodians of the land on which we meet today, paying respects to their Elders past, present and emerging.

2 RECORD OF ATTENDANCE/APOLOGIES/LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

Members Present:

In Attendance:

Apologies:

Members of the Public Present:

Previously Approved Leave of Absence:

Cr B Bell was granted Leave of Absence for the period 3 May to 27 June inclusive.

3 PUBLIC QUESTION TIME (RELATING TO THE BUSINESS OF THE MEETING)

Section 5.24 Local Government Act 1995

4 PETITIONS / DEPUTATIONS / PRESENTATIONS (RELATING TO THE BUSINESS OF THE MEETING)**5 DISCLOSURE OF INTEREST**

Part 5 Division 6 Local Government Act 1995

6 BUSINESS

6.1 ANNUAL REPORT - YEAR ENDING 30 JUNE 2022

File Ref:	N59528
Attachment:	<u>Annual Report – Year End 30 June 2022</u> (Separate Attachment)
Responsible Officer:	Gary Clark Chief Executive Officer
Author:	John Fathers Deputy Chief Executive Officer
Proposed Meeting Date:	30 May 2023

PURPOSE

The purpose of this report is to accept the Shire of Plantagenet's 2021/2022 Annual Report.

BACKGROUND

The annual financial audit for 2021/2022 was conducted by representatives of the Council's auditors, Lincolns (on behalf of the Office of the Auditor General) in October 2022. The audit report was provided on 20 April 2023.

STATUTORY ENVIRONMENT

Local Government Act 1995

Section 5.54 states:

- (1) *Subject to subsection (2) the Annual Report for a financial year is to be accepted by the local government no later than 31 December after that financial year.' (Absolute Majority required).*
- (2) *If the auditor's report is not available in time for the annual report for a financial year to be accepted by 31 December after that financial year, the annual report is to be accepted by the local government no later than 2 months after the auditor's report becomes available.*

EXTERNAL CONSULTATION

Not applicable.

FINANCIAL IMPLICATIONS

There are no financial implications for this report.

BUDGET IMPLICATIONS

There are no budget implications for this report.

POLICY IMPLICATIONS

There are no policy implications for this report.

LEGAL IMPLICATIONS

There are no legal implications for this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications as no assets are being created or acquired.

STRATEGIC IMPLICATIONS

There are no strategic implications for this report.

STRATEGIC RISK IMPLICATIONS

The Strategic Risk Register provides for a number of key controls in order to fulfil statutory and regulatory compliance requirements. Those controls are rated as either effective or adequate.

REGIONAL IMPLICATIONS

There are no regional implications for this report.

OFFICER COMMENT

The Annual Report notes the following:

Operational activity over the past year has focused on delivering projects, services and programs that respond to our community's needs, after undertaking extensive community consultation.

In May 2022, we commissioned an independent consultation to conduct a Community Scorecard. Thank you to the 540 residents who completed the scorecard and ranked Plantagenet as a place to live, and the Shire as a governing organisation. I am pleased the Shire rated 78 out of 100 as a place to live, which is above the industry standard of 76. The Shire as an organisation scored 68 out of 100, which is two points above the industry standard and an area we will work to improve in the years ahead.

The 2021-2022 budget comprised expenditure of \$25.7 million including operating expenditure of \$15.5 million and capital expenditure of \$10.2 million. Through responsible financial management, we have delivered some major projects this year to enhance the liveability of Plantagenet for our community and visitors to our region.

Highlights include a record \$4.2 million for road works, more than \$300,000 for footpath improvements, more than \$250,000 for improved drainage, \$150,000 for streetscape improvements and \$70,000 to light our heritage buildings and public open spaces, which together enhance the look and feel of our community.

Key infrastructure projects included the next stage of the swimming pool redevelopment. Stage 1A of the Mount Barker Memorial Swimming Pool redevelopment was one of the major construction projects undertaken by the Shire. The new building includes, an entry, kiosk, changerooms and a function/club room. Despite the challenges of COVID and some associated delays, Practical Completion was achieved in April 2022. Financial support for the project came from the Commonwealth Drought Communities Program and the DLGSC Community Sport and Recreation Facilities Fund.

This was in addition to delivering our annual programs for sport and recreational facilities, the library which had its busiest year to date, specific events for youth and seniors, community events and our every day services, such as administration, ranger services and waste services.

Other activities carried out throughout the year have been reported on extensively within the Annual Report.

The General Meeting of Electors has been scheduled for 6.30pm on Tuesday 30 May 2023.

VOTING REQUIREMENTS

Absolute Majority

RECOMMENDATION

That the Annual Report and Information Statement for the year ended 30 June 2022 as attached, be accepted.

6.2 AUDIT REPORT - YEAR ENDING 30 JUNE 2022

File Ref:	N59529
Attachment:	<u>Independent Auditor's Report 2022 and Transmittal Letter</u> <u>Findings Identified During the Final Audit</u> <u>Findings Identified During the Interim Audit</u> <u>Report to the Audit Committee for the Year Ended 30 June 2022 – Lincolns</u> <u>Report on Significant Audit Finding</u>
Responsible Officer:	Gary Clark Chief Executive Officer
Author:	John Fathers Deputy Chief Executive Officer
Proposed Meeting Date:	30 May 2023

PURPOSE

The purpose of this report is to present the Annual Financial Audit and Interim Management Report for the year ending 30 June 2022.

BACKGROUND

In October 2022, representatives of Lincolns (on behalf of the Office of the Auditor General) attended the Shire office to conduct an end of year audit for 2021/2022. It should be noted that the audit is designed primarily to enable the auditors to form an opinion on the financial statements and therefore does not extend to all of the Council's systems and procedures.

STATUTORY ENVIRONMENT

Local Government Act 1995

Section 7.12A (3) and (4) of the Act states the following:

- (3) *A local government must –*
- (aa) *examine an audit report received by the local government; and*
 - (a) *determine if any matters raised by the report, require action to be taken by the local government; and*
 - (b) *ensure that appropriate action is taken in respect of those matters.*
- (4) *A local government must -*
- (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
 - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*

- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.'*

FINANCIAL IMPLICATIONS

There are no financial implications for this report.

BUDGET IMPLICATIONS

The 2022/2023 budget includes a sum of \$45,000.00 for end of year and interim audit costs.

POLICY IMPLICATIONS

There are no policy implications for this report.

LEGAL IMPLICATIONS

There are no legal implications for this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications as no assets are being created or acquired.

STRATEGIC IMPLICATIONS

There are no strategic implications for this report.

STRATEGIC RISK IMPLICATIONS

The Strategic Risk 'Project / Change Management' includes the key control of regular monitoring and reporting of capital works program.

REGIONAL IMPLICATIONS

There are no regional implications for this report.

STRATEGIC IMPLICATIONS

There are no strategic implications for this report.

STRATEGIC RISK IMPLICATIONS

The Strategic Risk Register provides for a number of key controls in order to fulfil statutory and regulatory compliance requirements. Those controls are rated as either effective or adequate.

OFFICER COMMENT

A copy of the audit report and management reports (interim and final) are attached.

Interim Audit

The following summarised findings were made in the interim audit, conducted by Lincolns in June 2022. The detailed findings are shown on the attachments. A management comment is also included.

Finding	Management Comment
<p>Rating - Moderate</p> <p>It was noted during review of monthly sub-ledger reconciliations that the reconciliations for debtors, creditors and rates were not performed for July and August 2021.</p>	<p>At that point in time, the Shire had just implemented the new software for Synergysoft. We hadn't received training and templates from IT Vision on how to do them. As soon as we were provided with that information, monthly reconciliations were done and are already reviewed by an independent senior officer. The September 2021 reconciliations would have picked up any issues with the prior two months that were not done.</p>
<p>Rating - Moderate</p> <p>It was noted during review of the payroll transactions that an employee who was carrying out higher duties continued to be paid at the higher rate of pay after she had returned to previous duties. This was due to the higher rate of pay being incorrectly set as the default rate.</p>	<p>The recommendation has been implemented. All higher duties roles will be set up with a specific pay rate as part of the position set up, including commencement and end dates, and not linked to the employee's default pay rate in any way. Higher duties set up to be sighted by the Senior Finance Officer and a screen shot to be signed by payroll and the SFO.</p>

Final Audit

Finding	Management Comment
<p>Rating - Significant</p> <p>The Shire carried out an in-house revaluation of its roads, footpaths, drainage, other infrastructure and parks and ovals for the year ended 30 June 2022. During this process the Shire recognised 71 Other Infrastructure and Parks and Ovals assets totalling \$2.6 million which were not recorded as Shire's assets in the previous years. These assets were included on the asset register for the financial year 30 June 2022. However, the in-house revaluation was not adopted due to a lack of evidence on the appropriateness of the unit rates applied to calculate the fair value of these assets and have been recognised at nil carrying value for 30 June 2022.</p>	<p>The Shire has done a lot of work over the past three years to assess the condition of infrastructure assets. This led to the identification of the carpark assets not previously listed the Shire's asset register. The Shire intends to carry on with this work, but to arrange for a suitably qualified person to verify the staff assessment and calculate the update values to be used in the financial records.</p>
<p>Rating - Moderate</p> <p>Regulation 5(2) of the Local Government (Financial Management) Regulations 1996 require the CEO to undertake a review of financial management systems and procedures every three years. The last FM Review was adopted by the Shire in June 2018.</p>	<p>The last Financial Management Review was actually adopted by the Council on 23 August 2022. It is acknowledged this was late, however there were severe time constraints with the implementation of new business system Synergysoft and loss of key finance staff around that time.</p>
<p>Rating - Moderate</p> <p>The Shire of Plantagenet has not performed an assessment to determine whether its infrastructure assets – roads, drainage and</p>	<p>The Shire intends to carry on with the ongoing assessment of infrastructure condition and values and to consider the need for an annual assessment of prevailing market factors which may indicate that the fair value of those assets are likely to have been impacted to</p>

<p>footpaths represent fair value at the end of the reporting period.</p> <p>AASB 116 'Property, plant and equipment' requires asset revaluations to be made with sufficient regularity to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. When the fair value differs materially from the carrying amount, a further revaluation is required.</p> <p>Regulations 17A(4)(a) and (b) of the Local Government (Financial Management) Regulations 1996 (the Regulations) require a local government to revalue its revalued assets with it is of the opinion that the fair value is likely to be materially different from the carrying amount, and in any event, no more than 5 years from the last revaluation.</p>	<p>any significant / material extent from the prior year.</p>
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There were a number of corrections made to the Annual Financial Statements as a result of the audit, as detailed in Lincolns' Report to the Audit Committee. These relate to:

- *'A reclassification of cash, term deposits and financial assets.'*

This item relates to a possible reclassification of cash from term deposit to financial asset due to the length of the deposits (over 3 months). It was not communicated to the Shire prior to the Lincoln's report being received and the adjustment has therefore not been made. Action required will be confirmed by Lincolns, but if required it will be reflected as an adjustment in the 2022/2023 annual financial statement.

- *'A minor correction allocation between operating and non-operating grants.'*

This was an error where one grant was incorrectly classified as non-operating instead of operating.

- *'The reversal of an in-house infrastructure revaluation.'*

The original financial statements included a revaluation of all infrastructure assets. The roads, drainage and footpath asset revaluations were carried out internally, but this was not done to an evidential standard required by the OAG and was not peer reviewed by a qualified valuer.

The revaluation was done on a 'net' basis whereby the net value of assets are recorded, not the gross value and accumulated depreciation. This is why the 'correction' values shown in the report to the Audit Committee are so high. The differences between the before and after total values are comparatively small.

This reversal will be corrected in the 2022/2023 annual report, once the asset values are verified.

The Lincolns' Report to the Audit Committee further notes that *'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.'

Following the provision of management comments to the auditors, it can be confirmed that a qualified valuer has been engaged to do a valuation of all carpark and accessway assets as at 30 June 2023. This will also involve a desktop re-evaluation of the Shire's Parks Infrastructure & Other Infrastructure assets as the carparks and accessways are contained within those asset categories. Where any asset needs to be revalued, accounting standards require the entire asset class to be revalued.

Further, quotations are currently being sought from qualified valuers for formal verification of road, drainage and footpath assets as at 30 June 2023.

VOTING REQUIREMENTS

Absolute Majority

OFFICER RECOMMENDATION

That:

- 1. The Annual Financial Audit Opinion and Interim Management Report for the year ending 30 June 2022 as issued by the Office of the Auditor General be received.**
- 2. In accordance with Section 7.12A of the Local Government Act 1995, the attached report addressing matters identified as significant by the Shire's auditor in the 2021/2022 Audit Report, stating what action has and will be taken with respect to those matters, be endorsed.**
- 3. The report in clause 2 above be forwarded to the Minister for Local Government and be published on the Shire of Plantagenet website.**

7 CLOSURE OF MEETING

Council

AUDIT REPORT – YEAR ENDING 30 JUNE 2022

Independent Auditor's Report 2022 and
Transmittal Letter

Findings identified During the Final Audit

Findings Identified During the Interim Audit

Report to the Audit Committee for the Year
Ended 30 June 2022 – Lincolns

Report on Significant Audit Findings

Meeting Date: 30 May 2023

Number of Pages: 24



Our Ref: F21/67

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Dear Mr Clark

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

The Office has completed the audit of the annual financial report for your Shire. In accordance with section 7.12AD (2) of the *Local Government Act 1995*, we enclose the Auditor General's auditor's report, together with the audited annual financial report.

We have also forwarded the reports to the President and the Minister for Local Government, as required by the Act. You are required to publish the annual report, including the auditor's report and the audited financial report, on your Shire's official website within 14 days after the annual report has been accepted by your Council.

Qualified audit opinion

As discussed at the exit meeting, the Auditor General's audit opinion has been qualified as 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, I am 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. Additionally, I am unable to determine whether there may be any consequential impact on Depreciation, Accumulated Depreciation, Revaluation Surplus and Retained Earnings. 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 Accounting Policies, Changes in Accounting Estimates and Errors. I am unable to determine the extent of the misstatements, as it is impracticable to do so.

Management control issues

While the result of the audit was generally satisfactory, I would like to draw your attention to the attached listing of deficiencies in internal control and other matters that were identified during the audit. These matters have been discussed with management and their comments have been included in the attachment.

Please note that the purpose of our audit was to express an opinion on the financial report. The audit included consideration of internal control relevant to the preparation of the financial report in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

An audit is not designed to identify all internal control deficiencies that may require management attention. The matters being reported are limited to those deficiencies that have been identified during the audit that are of sufficient importance to warrant being reported. It is possible that other irregularities and deficiencies may have occurred and not been identified as a result of our audit.

The date that entities provided their annual financial report to the Office has been recorded for purposes of reporting to Parliament. The date recorded for the receipt of your financial statements was 13 February 2022. The date that Office has recorded for our receipt of a good and complete set of financial statements was 1 March 2023.

This letter has been provided for the purposes of the Shire and the Minister for Local Government and may not be suitable for other purposes.

I would like to take this opportunity to thank you, the management and the staff of the Shire for their cooperation with the audit team during our audit.

Feel free to contact me on 6557 7605 if you would like to discuss these matters further.

Yours sincerely

Vignesh Raj
Assistant Director
Financial Audit
20 April 2022

Attach



Auditor General

INDEPENDENT AUDITOR'S REPORT 2022 Shire of Plantagenet

To the Councillors of the Shire of Plantagenet

Opinion

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

- the Statement of Financial Position at 30 June 2022, the Statement of Comprehensive Income by Nature or Type, Statement of Changes in Equity, and Statement of Cash Flows and Rate Setting Statement 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 2022 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, Australian Accounting Standards.

Basis for qualified opinion

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, I am 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. Additionally, I am unable to determine whether there may be any consequential impact on Depreciation, Accumulated Depreciation, Revaluation Surplus and Retained Earnings. 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 Accounting Policies, Changes in Accounting Estimates and Errors. I am unable to determine the extent of the misstatements, as it is impracticable to do so.

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.

Other information

The Chief Executive Officer (CEO) is responsible for preparing 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 2022, 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.

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 of the Shire is responsible for:

- preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and 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.

My independence and quality control 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 ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, the Office of the Auditor General maintains a comprehensive system of quality control 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 Plantagenet for the year ended 30 June 2022 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
20 April 2023

SHIRE OF PLANTAGENET

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
1. Recognition of previously unrecognised assets	✓		
2. Compliance with laws and regulations		✓	
3. 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 PLANTAGENET**PERIOD OF AUDIT: YEAR ENDED 2022****FINDINGS IDENTIFIED DURING THE FINAL AUDIT****1. Recognition of previously unrecognised assets****Finding**

The Shire carried out an in-house revaluation of its roads, footpaths, drainage, other infrastructure and parks and ovals for the year ended 30 June 2022. During this process the Shire recognised 71 Other Infrastructure and Parks and Ovals assets totalling \$2.6 million which were not recorded as Shire's assets in the previous years. These assets were included on the asset register for the financial year 30 June 2022. However, the in-house revaluation was not adopted due to a lack of evidence on the appropriateness of the unit rates applied to calculate the fair value of these assets and have been recognised at nil carrying value for 30 June 2022.

Rating: Significant**Implication**

Without a robust assessment of fair value of the Shire's asset classes held at fair value, there is a risk that the fair value of these 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

The Shire should consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of all asset classes held at fair value. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. This process is to ensure that the Shire's relevant asset classes held at fair value are complying with the requirements of 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. Where a fair value assessment has been performed internally the Shire may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

Management Comment

The Shire has done a lot of work over the past three years to assess the condition of infrastructure assets. This led to the identification of the carpark assets not previously listed the Shire's asset register. The Shire intends to carry on with this work, but to arrange for a suitably qualified person to verify the staff assessment and calculate the update values to be used in the financial records.

Responsible Person: John Fathers
Completion Date: 30/6/2023

SHIRE OF PLANTAGENET

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

2. Compliance with laws and regulations

Finding

Regulation 5(2) of the Local Government (Financial Management) Regulations 1996 require the CEO to undertake a review of financial management systems and procedures every three years. The last FM Review was adopted by the Shire in June 2018.

Rating: Moderate

Implication

Non-compliance with Regulation 5(2) of the Local Government (Financial Management) Regulations 1996.

Recommendation

Management should ensure a review is performed in accordance with the Regulations.

Management Comment

The last Financial Management Review was actually adopted by the Council on 23 August 2022. It is acknowledged this was late, however there were severe time constraints with the implementation of new business system Synergysoft and loss of key finance staff around that time.

Responsible Person: John Fathers

Completion Date: 23/8/2022

SHIRE OF PLANTAGENET

PERIOD OF AUDIT: YEAR ENDED 2022

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

3. Fair Value of Infrastructure Assets – Frequency of Valuations**Finding**

The Shire of Plantagenet has not performed an assessment to determine whether its infrastructure assets – roads, drainage and footpaths represent fair value at the end of the reporting period.

AASB 116 'Property, plant and equipment' requires asset revaluations to be made with sufficient regularity to ensure the carrying amount does not differ materially from the fair value at the end of the reporting period. When the fair value differs materially from the carrying amount, a further revaluation is required.

Regulations 17A(4)(a) and (b) of the Local Government (Financial Management) Regulations 1996 (the Regulations) require a local government to revalue its revalued assets with it is of the opinion that the fair value is likely to be materially different from the carrying amount, and in any event, no more than 5 years from the last revaluation.

Rating: Moderate**Implication**

Without a robust assessment of fair value of the 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

The Shire should consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of Infrastructure Assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of *AASB 13 Fair Value Movements*. 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. Where a fair value assessment has been performed internally the Shire may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

Management comment

The Shire intends to carry on with the ongoing assessment of infrastructure condition and values and to consider the need for an annual assessment of prevailing market factors which may indicate that the fair value of those assets are likely to have been impacted to any significant / material extent from the prior year.

Responsible person: John Fathers**Completion date: 30/6/2023**

SHIRE OF PLANTAGENET

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022

FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Matters identified during the current year			
1. Monthly Sub-ledger Reconciliations		✓	
2. Incorrect Pay Rates Applied		✓	

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. 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 PLANTAGENET
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

1. Monthly Sub-ledger Reconciliations

Finding

It was noted during review of monthly sub-ledger reconciliations that the reconciliations for debtors, creditors and rates were not performed for July and August 2021.

Rating: Moderate

Implication

Reconciliations are a key control for ensuring financial data is completely and accurately reflected in the general ledger from which financial statements are derived. There is a risk that internal controls are not being fully applied and that unreconciled or unauthorised transactions may go undetected and/or unresolved.

Recommendation

We recommend reconciliations are performed on a monthly basis for all balance sheet accounts and these are reviewed in a timely manner. Furthermore, reconciliations should be reviewed by an independent senior officer and evidence of this review is to be retained.

Management Comment

At that point in time, the Shire had just implemented the new software for Synergysoft. We hadn't received training and templates from IT Vision on how to do them. As soon as we were provided with that information, monthly reconciliations were done and are already reviewed by an independent senior officer. The September 2021 reconciliations would have picked up any issues with the prior two months that were not done.

Responsible Person: Senior Finance Officer
Completion Date: 30 September 2021

SHIRE OF PLANTAGENET
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2022
FINDINGS IDENTIFIED DURING THE INTERIM AUDIT

2. Incorrect Pay Rates Applied

Finding

It was noted during review of the payroll transactions that an employee who was carrying out higher duties continued to be paid at the higher rate of pay after she had returned to previous duties. This was due to the higher rate of pay being incorrectly set as the default rate.

Rating: Moderate

Implication

Payroll setup is an important internal control to ensure that employees are being appropriately remunerated for the roles they carry out in the pay period. There is a risk that internal controls around setups and changes to pay rates are not being fully applied and that an employee may be paid at a rate higher than their employment agreement.

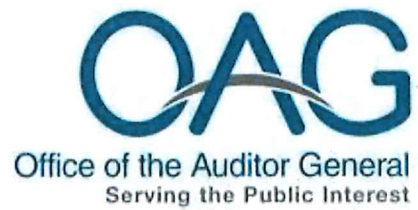
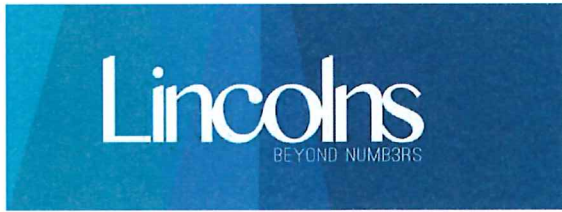
Recommendation

We recommend when an employee record is being adjusted for higher duties temporarily the higher rate should not be setup as the default rate but a secondary payroll item. Furthermore, changes should be reviewed by an independent senior officer and evidence of this review is to be retained.

Management Comment

The recommendation has been implemented. All higher duties roles will be set up with a specific pay rate as part of the position set up, including commencement and end dates, and not linked to the employee's default pay rate in any way. Higher duties set up to be sighted by the Senior Finance Officer and a screen shot to be signed by payroll and the SFO.

Responsible Person: Human Resources Officer
Completion Date: 14 July 2022



Shire of Plantagenet

REPORT TO THE AUDIT COMMITTEE
FOR THE YEAR ENDED 30 JUNE 2022

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1. EXECUTIVE SUMMARY

Purpose	<p>This report summarises significant audit findings and matters which have come to our attention during our audit of the financial statements of the Shire of Plantagenet for the financial year ended 30 June 2022.</p> <p>This report is provided to enable the Audit Committee to clarify outstanding issues with us and discuss key audit findings. It includes only those audit matters of governance interest that have come to our attention as a result of the performance of our audit. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not usually identify all such matters.</p>
Audit status	<p>We have completed our audit for the year ended 30 June 2022 except for:</p> <ul style="list-style-type: none">• Sign off on the financial statements▪ Receipt of signed Management Representation Letter to Lincolns and to Office of Auditor General▪ Process for issuing of audit opinion <p>We expect to recommend to the Office of the Auditor General a modified audit report after these matters are completed.</p>
Audit misstatements	<p>A list of corrected and uncorrected misstatements is included in Section 5. Additionally, corrected and uncorrected misstatements in presentations and disclosures are discussed in this section.</p>
Disclaimer	<p>This report is provided solely for the benefit of the Shire of Plantagenet and is not to be copied, quoted or referred to without prior written consent. The Auditor General and Lincolns accepts no responsibility to anyone other than the parties identified in the Local Government Act for the information contained in this report.</p>

2. AUDIT SCOPE

Lincolns conducted an independent audit on behalf of the Office of the Auditor General (OAG) in order to enable the Auditor General to express an opinion to the Council on the financial report of Shire of Plantagenet for the year ended 30 June 2022. Our audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We perform procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996, a view which is consistent with our understanding of the Shire of Plantagenet's financial position and of its performance as represented by the results of its operations, changes in equity and cash flows.

Our audit procedures included;

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- evaluating the appropriateness of accounting policies and disclosures used, the reasonableness of accounting estimates

We considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures.

An audit is not designed to identify all matters that may be relevant to the accountable authority and management, nor to relieve management or those in charge of governance of their responsibilities. Accordingly, this report includes only those significant matters that have come to our attention as a result of performing our audit.

3. AUDIT FOCUS

We refer to our audit plan where we identified areas for potential for increased audit risk and our planned responses in the audit.

The following presents our audit findings in these areas.

Area of Risk	Audit Outcomes
Grant Funding and Other Revenue	<ul style="list-style-type: none"> • Significant grant revenue was agreed to third party documentation. • Audit included additional analysis of revenue allocation in accordance with AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not For Profit Entities. • Risk of fraud in the revenue cycle was also considered including testing of key controls and analytical review Audit procedures undertaken rebutted the risk of fraud to an acceptable level. • We also reviewed related party transactions. The financial statements adequately disclose related party transactions for Councillors and Key Management Personnel. <p>Grant Funding and Other Revenue as disclosed in the financial statements is materially correct.</p>
Rates	<p>Audit work included the following:</p> <ul style="list-style-type: none"> • Rateable values agreed to the Valuer General rates. • We checked control procedures for the transfer of rates from Valuer General to Internal Software system. • Testing of rates notices was undertaken both on a sample basis and analytically. <p>Results supported the rate revenue and financial statement disclosures.</p>
Expenses	<p>Our audit of expenses included testing of key financial controls over the recognition of expenses, vouching significant expenses and analytical reviews.</p> <p>Expenditure as disclosed in the financial statements is materially correct.</p>
Payroll/Provisions	<p>Audit sampling tested payroll records to the following:</p> <ul style="list-style-type: none"> • Employee awards • Employee contracts • Check calculation of superannuation and tax • Check authority to deduct salary sacrifice • Check the control procedures in payroll department in line with internal policies • Our audit of provisions included reviewing the reasonableness of assumptions used to calculate annual leave and long service leave • Analytical review <p>Results of audit procedures indicate employee costs are materially correct and disclosed correctly in the financial statements.</p>

Area of Risk	Audit Outcomes
Management's monitoring of the control environment	<p>We reviewed council minutes for the following:</p> <ul style="list-style-type: none"> • Process for reviewing internal control procedures including evidence of periodic review of policy manual. • Management's implementation and monitoring of new control procedures. • Management's implementation and monitoring for amending current control procedures. • Impact of COVID 19 on the control environment <p>We are satisfied that management is applying effective controls and that Council are aware of the control environment.</p>
Management Override of Controls	<p>Audit processes were undertaken to:</p> <ul style="list-style-type: none"> • Sample test and judgementally review general journals • Understand and test the adequacy and effectiveness of division of duties • Controls testing • Substantive procedures <p>Sufficient audit evidence was obtained to support the view that controls are operating effectively.</p>
Fixed Assets	<p>Council revalued Land & Buildings and Infrastructure in the 2022 financial year.</p> <p>Audit Processes were undertaken to:</p> <ul style="list-style-type: none"> • Sample test additions and disposals • Check profit/loss on sale of assets • Confirm ownership and existence of assets • Recalculate Depreciation <p>Audit testing determined that fixed assets have been recorded and disclosed correctly. Revaluation of Roads, Drainage and Paths infrastructure was reversed due to insufficient supporting data to enable an opinion to be formed. This also resulted in 71 assets that did not have a previous value, resulting in a qualified opinion in relation to the fair value of other infrastructure and parks & ovals.</p>
Accounting Estimates	<ul style="list-style-type: none"> • We reviewed the method and underlying data that management use when determining critical accounting estimates. This included considering the reasonableness of assumptions and corroborating representations. • For infrastructure, property, plant and equipment we reviewed Management's assessment of the useful lives and existence of assets. We reviewed managements monitoring of impairment and determined that adequate processes exist.
AASB 1059 Service Concession Arrangements: Grantors	<ul style="list-style-type: none"> • We reviewed the assessment of contracts undertaken by the Shire. • Reviewed major expenditure items. • Outcome of review discussed with DCEO. <p>Review noted that no arrangements under AASB 1059 that require disclosure.</p>

4. AUDIT & ACCOUNTING ISSUES

4.1 Audit Report

For the Fair Value assessments of Infrastructure, we will be recommending to the OAG that audit opinion in relation to this matter will be a qualified audit opinion

In all other aspects of the financial report the audit report will have an unqualified opinion.

4.2 Management Letter Findings

- Fair Value of Infrastructure Assets – Moderate
- Compliance with Laws & Regs – Moderate
- Fair Value of Infrastructure Assets – Recognition – Significant

5. ACCOUNTING MISSTATEMENTS

5.1 Uncorrected Audit Misstatements

No unadjusted errors were identified in the financial report.

5.2 Corrected Audit Misstatements

	Financial Statements Accounts Impacted	Statement of Financial Position Adjustment	Effect on Operating Surplus	Effect on Other Comprehensive Income	Comment
1.	Cash at Bank Financial Assets Term Deposits	\$742,695 DR \$2,505,247 DR \$3,247,942 CR			Being reclassification of cash, term deposits and financial assets.
2.	Operating Grants Non-Operating Grants	\$12,024 DR \$12,024 CR			Being correction allocation between operating and non-operating grants
3.	Roads Roads – Acc Dep Footpaths Footpaths – Acc Dep	\$39,332,178 DR \$46,889,845 CR \$183,679 DR \$1,384,217 CR			Being reversal of in-house infrastructure revaluation.

	Financial Statements Accounts Impacted	Statement of Financial Position Adjustment	Effect on Operating Surplus	Effect on Other Comprehensive Income	Comment
	Drainage	\$6,287,537 DR			
	Drainage – Acc Dep	\$97,172 CR			
	Parks & Ovals	\$401,632 CR			
	Parks & Ovals – Acc Dep	\$97,172 CR			
	Other Infrastructure	\$1,963,502 CR			
	Other Infrastructure – Acc Dep	\$147,468 CR			
	Fair Value Adjustment			\$10,273,799 DR	

6. ACTIONS / ISSUES FOR NEXT YEAR'S AUDIT

6.1 New Accounting Standards

New accounting standards will have application in future years. A brief discussion of the impact of these follows.

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current. Applies to the financial year ended 30 June 2024.

- This is not expected to impact the financial report.

- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 – 2020 and Other Amendments. Applies to the financial year ended 30 June 2023.

- Specific impacts have not been identified.

-AASB 2022-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies or Definition of Accounting Estimates. Applies to the financial year ended 30 June 2024.

- This is not expected to impact the financial report.

6.2 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.



REPORT ON SIGNIFICANT AUDIT FINDING

Pursuant to Section 7.12A(4) of the Local Government Act 1995

MAY 2023

1. Background

Under the Local Government Act 1995, the Shire of Plantagenet is required to prepare an audited Annual Financial Report each financial year.

The Shire's 2021/2022 audit report was received from the Office of the Auditor General on 20 April 2023 and is attached to this document.

Section 7.12A (3) and (4) of the Local Government Act states the following:

- (3) A local government must –
- (aa) examine an audit report received by the local government; and
 - (a) determine if any matters raised by the report, require action to be taken by the local government; and
 - (b) ensure that appropriate action is taken in respect of those matters.
- (4) A local government must -
- (a) prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
 - (b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
- (5) Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.'

2. Details

The audit contained the following matter classed as significant:

1. Recognition of previously unrecognised assets

Finding

The Shire carried out an in-house revaluation of its roads, footpaths, drainage, other infrastructure and parks and ovals for the year ended 30 June 2022. During this process the Shire recognised 71 Other Infrastructure and Parks and Ovals assets totalling \$2.6 million which were not recorded as Shire's assets in the previous years. These assets were included on the asset register for the financial year 30 June 2022. However, the in-house revaluation was not adopted due to a lack of evidence on the appropriateness of the unit rates applied to calculate the fair value of these assets and have been recognised at nil carrying value for 30 June 2022.

Rating: Significant

Implication

Without a robust assessment of fair value of the Shire's asset classes held at fair value, there is a risk that the fair value of these 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

The Shire should consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of all asset classes held at fair value. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. This process is to ensure that the Shire's relevant asset classes held at fair value are complying with the requirements of 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. Where a fair value assessment has been performed internally the Shire may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.'

3. Action Plan

The Shire appointed an Asset Management Reporting Officer in 2019 to co-ordinate asset condition inspections and assessments, asset valuations and assist in developing asset renewal and maintenance programs.

The Shire has done a lot of work over the past three years to assess the condition of infrastructure assets. This led to the identification of the carpark assets not previously listed the Shire's asset register. The Shire intends to carry on with this work, but to arrange for a suitably qualified person to verify the staff assessment and calculate the update values to be used in the financial records.

In this respect, a qualified valuer has been engaged to do a valuation of all carpark and accessway assets as at 30 June 2023. This will also involve a desktop re-evaluation of the Shire's Parks Infrastructure & Other Infrastructure assets as the carparks and accessways are contained within those asset categories. Where any asset needs to be revalued, accounting standards require the entire asset class to be revalued.

Further, quotations are currently being sought from qualified valuers for formal verification of road, drainage and footpath assets as at 30 June 2023.

The Shire will liaise with the contracted auditors (Lincolns) in respect to the proposed valuer to be appointed. We will also provide Lincolns with the intended valuation methodology and details of pre-work that has been done in respect to that valuation.

The Shire also intends to carry on with the ongoing assessment of infrastructure condition and values and to consider the need for an annual assessment of prevailing market factors which may indicate that the fair value of those assets are likely to have been impacted to any significant / material extent from the prior year.