

## 10.2 2021/22 Annual Audit and Financial Statement

Applicant:	Shire of Yalgoo
Date:	10/04/2024
Reporting Officer:	Chief Executive Officer Ian Holland
Disclosure of Interest:	NIL
Attachments:	NIL

**SUMMARY**

That Council accept the recommendation from the Audit Committee, that the Audit Report from the Office of the Auditor General be received.

**COMMENT**

On the 14<sup>th</sup> May 2024 AMD and the Office of the Auditor General met with the Shire President and Administration.

Significant issues from the 2021 audit were tabled along with 2 significant findings from the 2022 year. They are presented in this report as the comments will be provided to the Minister for Local Government under Section 7.12A of the Local Government Act 1995.

<b>30 June 2021 Interim and Final Findings</b>	<b>Rating</b>	<b>Action by Management</b>
1. Fair Value of Road Infrastructure Assets	Significant	At the end of the 2023 financial year the Shire engaged a reputable independent valuer to assess road infrastructure
2. Masterfile Accuracy & Validity	Significant	The Shire of Yalgoo changed financial software at the end of the 2021/22 Financial Year. This new software allows for audit trails to be examined and a hierarchy of user privileges has been established. Periodic Masterfile reviews have been conducted during the 2022/23 Financial Year. The sign off of review has become more timely in 2023/24
3. Daily Banking Reconciliations	Significant	Daily banking is now reviewed and signed by the person processing and a senior staff member. Prior to this in 22/23 the senior staff member would review and sign daily banking after it was processed by another staff member
4. Out of Date Council Policy Manual	Significant	LG People have been engaged to consolidate numerous policies that have been updated both internally and at a Council level over the past 3 years. This will be presented to Council for review after the March 2024 Extraordinary Elections.

5. Asset Management Plan and Long-Term Financial Plan	Significant	Council have held a workshop and started the major review/rework of its asset plan in 2022/23. From there Council will review its LTFP which is still useful but just not recently reviewed.
6. Key Balance Sheet Reconciliations	Significant	The Shire has inside capacity to begin this process as at January 2024.

30 June 2022 Interim Findings	Rating	Action by Management
1. Transition to new accounting system	Significant	The timing of the system change was dependent on the software provider (who deals with multiple end of financial year projects). Reconciliations were also dependant on consultants. While time consuming and not to the standard of best practice this project was completed and continuous improvement of the system and how we use it are being implemented.
2. Valuation Review	Significant	If a local government is paying for an independent qualified/accredited valuation there is limited benefit to challenging their opinion. This difference was captured by the audit process. Management will examine if it is suitable/effective for a second accredited valuer to check the reasonableness and appropriateness of valuations.

Most of these risks have been addressed by fit for purpose software and additional staff that allow for a separation of duties. The Shire of Yalgoo is currently conducting an Audit Regulation 17 review and a Financial Management Regulation 5 review. If any of these findings are still evident, they will be prioritized. At present the Long Term plans still require major review which has begun and an internal policy requires development for the review of external valuations.

## STATUTORY ENVIRONMENT

Local Government Act 1995

7.12A. Duties of local government with respect to audits

(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.

#### **POLICY/FINANCIAL IMPLCATIONS**

NIL

#### **VOTING REQUIREMENT**

Simple Majority

#### **AUDIT COMMITTEE RECOMMENDATION**

That Council:

1. accept the recommendation of the Audit Committee and **receive** the Independent Auditors Report for the year ending June 2022; and
2. provides the comments listed in this item as a report to the Minister for Local Government and publish that report on the Shire website.

#### **COUNCIL RESOLUTION - C2024-05-04**

Moved: Cr Gail Trenfield

Second: Cr Angus Nichols

That Council:

1. accept the recommendation of the Audit Committee and **receive** the Independent Auditors Report for the year ending June 2022; and
2. provides the comments listed in this item as a report to the Minister for Local Government and publish that report on the Shire website.

**CARRIED: 6/0**

*10.41am Cr Kieran Payne left the meeting.*

*10.42am Cr Kieran Payne returned to the meeting.*