



Auditor General

INDEPENDENT AUDITOR'S REPORT 2023 Shire of Peppermint Grove

To the Council of the Shire of Peppermint Grove

Opinion

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

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

In my opinion, the financial report is:

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

Basis for opinion

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

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

Other information

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

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Matters relating to the electronic publication of the audited financial report

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

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

SHIRE OF PEPPERMINT GROVE
FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023

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

*A Shire valued for its heritage, sense of community and natural
ambience*

Principal place of business:

1 Leake Street Peppermint Grove

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

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

STATEMENT BY CEO

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

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

Signed on the 5th day of December 2023



Chief Executive Officer

Donald Burnett

Name of Chief Executive Officer



**SHIRE OF PEPPERMINT GROVE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual	2023 Budget	2022 Actual
		\$	\$	\$
Revenue				
Rates	2(a),20	3,557,714	3,543,610	3,437,101
Grants, subsidies and contributions	2(a)	57,283	1,253,319	113,604
Fees and charges	2(a)	285,134	374,961	298,408
Interest revenue	2(a)	125,843	31,165	26,533
Other revenue	2(a)	16,188	7,442	12,135
		4,042,162	5,210,497	3,887,781
Expenses				
Employee costs	2(b)	(1,577,085)	(2,216,982)	(1,456,082)
Materials and contracts		(1,546,505)	(2,227,827)	(1,450,028)
Utility charges		(74,084)	(114,804)	(67,635)
Depreciation		(601,866)	(582,289)	(596,059)
Finance costs	2(b)	(51,298)	(53,192)	(54,375)
Insurance		(63,764)	(104,280)	(55,341)
Other expenditure	2(b)	(43,263)	(114,050)	(46,904)
		(3,957,865)	(5,413,424)	(3,726,424)
		84,297	(202,927)	161,357
Capital grants, subsidies and contributions	2(a)	880,000	0	187,493
Profit on asset disposals		40,854	28,725	21,165
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	938	0	1,934
Share of net profit of associates accounted for using the equity method	18(e)	11,639	0	(10,669)
Loss on revaluation of land and buildings	6(a)	0	0	(646,241)
		933,431	28,725	(446,318)
Net result for the period		1,017,728	(174,202)	(284,961)
Other comprehensive income for the period				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Changes in asset revaluation surplus	13	2,733,657	0	1,321,239
Total other comprehensive income for the period	13	2,733,657	0	1,321,239
Total comprehensive income for the period		3,751,385	(174,202)	1,036,278

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

**SHIRE OF PEPPERMINT GROVE
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

	NOTE	2023 \$	2022 \$
CURRENT ASSETS			
Cash and cash equivalents	3	2,550,422	2,361,797
Trade and other receivables	5	658,685	102,980
TOTAL CURRENT ASSETS		3,209,107	2,464,777
NON-CURRENT ASSETS			
Trade and other receivables	5	98,625	92,709
Other financial assets	4(b)	20,389	19,451
Investment in associate	18(a)	121,015	109,376
Property, plant and equipment	6	16,433,836	15,694,132
Infrastructure	7	17,091,017	14,591,192
Right-of-use assets	9(a)	15,047	28,761
TOTAL NON-CURRENT ASSETS		33,779,929	30,535,621
TOTAL ASSETS		36,989,036	33,000,398
CURRENT LIABILITIES			
Trade and other payables	10	680,985	402,774
Lease liabilities	9(b)	11,785	14,497
Borrowings	11	38,885	36,822
Employee related provisions	12	175,345	203,995
TOTAL CURRENT LIABILITIES		907,000	658,088
NON-CURRENT LIABILITIES			
Lease liabilities	9(b)	6,007	16,977
Borrowings	11	615,808	654,693
Employee related provisions	12	41,314	3,117
TOTAL NON-CURRENT LIABILITIES		663,129	674,787
TOTAL LIABILITIES		1,570,129	1,332,875
NET ASSETS		35,418,905	31,667,523
EQUITY			
Retained surplus		9,864,517	9,164,143
Reserve accounts	23	1,988,559	1,671,204
Revaluation surplus	13	23,565,829	20,832,176
TOTAL EQUITY		35,418,905	31,667,523

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

**SHIRE OF PEPPERMINT GROVE
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	RETAINED SURPLUS \$	RESERVE ACCOUNTS \$	REVALUATION SURPLUS \$	TOTAL EQUITY \$
Balance as at 1 July 2021		9,829,545	1,290,763	19,510,937	30,631,245
Comprehensive income for the period					
Net result for the period		(284,961)	0	0	(284,961)
Other comprehensive income for the period	13	0	0	1,321,239	1,321,239
Total comprehensive income for the period		(284,961)	0	1,321,239	1,036,278
Transfers to reserve accounts	23	(380,441)	380,441	0	0
Correction of error		(11,724)		11,724	
Balance as at 30 June 2022		9,164,143	1,671,204	20,832,176	31,667,523
Comprehensive income for the period					
Net result for the period		1,017,728	0	0	1,017,728
Other comprehensive income for the period	13	0	0	2,733,657	2,733,657
Total comprehensive income for the period		1,017,728	0	2,733,657	3,751,385
Transfers from reserve accounts	23	15,165	(15,165)	0	0
Transfers to reserve accounts	23	(332,521)	332,521	0	0
Balance as at 30 June 2023		9,864,517	1,988,559	23,565,829	35,418,905

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

**SHIRE OF PEPPERMINT GROVE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

NOTE	2023 Actual	2022 Actual
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
Rates	3,562,230	3,427,533
Grants, subsidies and contributions	(522,501)	71,328
Fees and charges	285,134	298,408
Interest revenue	125,843	26,533
Goods and services tax received	0	210,876
Other revenue	16,188	12,135
	3,466,894	4,046,813
Payments		
Employee costs	(1,567,538)	(1,513,024)
Materials and contracts	(1,254,647)	(1,743,078)
Utility charges	(74,084)	(67,635)
Finance costs	(51,298)	(54,375)
Insurance paid	(63,764)	(55,341)
Goods and services tax paid	0	(210,876)
Other expenditure	(43,263)	(46,905)
	(3,054,594)	(3,691,234)
Net cash provided by (used in) operating activities	412,300	355,579
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property, plant & equipment	6(a) (1,014,474)	(140,869)
Payments for construction of infrastructure	7(a) (142,122)	(210,645)
Capital grants, subsidies and contributions	880,000	187,493
Proceeds from sale of property, plant & equipment	103,425	96,019
Net cash provided by (used in) investing activities	(173,171)	(68,002)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	22(a) (36,822)	(33,953)
Payments for principal portion of lease liabilities	22(b) (13,682)	(33,763)
Net cash provided by (used In) financing activities	(50,504)	(67,716)
Net increase (decrease) in cash held	188,625	219,861
Cash at beginning of year	2,361,797	2,141,936
Cash and cash equivalents at the end of the year	2,550,422	2,361,797

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

**SHIRE OF PEPPERMINT GROVE
STATEMENT OF FINANCIAL ACTIVITY
FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2023 Actual \$	2023 Budget \$	2022 Actual \$
OPERATING ACTIVITIES				
Revenue from operating activities				
General rates	20	3,557,714	3,543,619	3,437,101
Grants, subsidies and contributions		57,283	1,253,319	113,604
Fees and charges		285,134	374,961	298,408
Interest revenue		125,843	31,165	26,533
Other revenue		16,188	7,442	12,135
Profit on asset disposals		40,854	28,725	21,165
Fair value adjustments to financial assets at fair value through profit or loss	4(b)	938	0	1,934
Share of net profit of associates accounted for using the equity method	18(e)	11,639	0	(10,669)
		<u>4,095,593</u>	<u>5,239,231</u>	<u>3,900,211</u>
Expenditure from operating activities				
Employee costs		(1,577,085)	(2,216,982)	(1,456,082)
Materials and contracts		(1,546,505)	(2,213,930)	(1,452,765)
Utility charges		(74,084)	(114,804)	(67,635)
Depreciation		(601,866)	(582,289)	(596,059)
Finance costs		(51,298)	(53,192)	(54,375)
Insurance		(63,764)	(104,280)	(55,341)
Other expenditure		(43,263)	(114,050)	(46,904)
Loss on revaluation of non-current assets		0	0	(646,241)
		<u>(3,957,865)</u>	<u>(5,399,527)</u>	<u>(4,375,402)</u>
Non-cash amounts excluded from operating activities	21(a)	586,631	553,564	1,256,429
Amount attributable to operating activities		<u>724,359</u>	<u>393,268</u>	<u>781,238</u>
INVESTING ACTIVITIES				
Inflows from investing activities				
Capital grants, subsidies and contributions		880,000	0	187,493
Proceeds from disposal of assets		103,425	105,000	96,019
		<u>983,425</u>	<u>105,000</u>	<u>283,512</u>
Outflows from investing activities				
Purchase of property, plant and equipment	6(a)	(1,014,474)	(259,500)	(140,869)
Purchase and construction of infrastructure	7(a)	(142,122)	(339,000)	(210,645)
		<u>(1,156,596)</u>	<u>(598,500)</u>	<u>(351,514)</u>
Amount attributable to investing activities		<u>(173,171)</u>	<u>(493,500)</u>	<u>(68,002)</u>
FINANCING ACTIVITIES				
Inflows from financing activities				
Proceeds from borrowings	22(a)	0	200,000	0
Transfers from reserve accounts	23	15,165	0	0
		<u>15,165</u>	<u>200,000</u>	<u>0</u>
Outflows from financing activities				
Repayment of borrowings	22(a)	(36,822)	(36,336)	(33,953)
Payments for principal portion of lease liabilities	22(b)	(13,682)	(13,897)	(33,763)
Transfers to reserve accounts	23	(332,521)	(310,527)	(380,441)
		<u>(383,025)</u>	<u>(360,760)</u>	<u>(448,157)</u>
Amount attributable to financing activities		<u>(367,860)</u>	<u>(160,760)</u>	<u>(448,157)</u>
MOVEMENT IN SURPLUS OR DEFICIT				
Surplus or deficit at the start of the financial year	21(b)	343,554	291,287	78,475
Amount attributable to operating activities		724,359	393,268	781,238
Amount attributable to investing activities		(173,171)	(493,500)	(68,002)
Amount attributable to financing activities		(367,860)	(160,760)	(448,157)
Surplus or deficit after imposition of general rates	21(b)	<u>526,882</u>	<u>30,295</u>	<u>343,554</u>

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

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

1. BASIS OF PREPARATION

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

Local Government Act 1995 requirements

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

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

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

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

The local government reporting entity

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

All monies held in the Trust Fund are excluded from the financial statements. A separate statement of those monies appears at Note 23 of the financial report.

Judgements and estimates

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

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

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

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

Initial application of accounting standards

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

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

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

New accounting standards for application in future years

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

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

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

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

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

2. REVENUE AND EXPENSES

(a) Revenue

Contracts with customers

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

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

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

Revenue Recognition

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

For the year ended 30 June 2023

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	3,557,714			0	3,557,714
Grants, subsidies and contributions	57,283			0	57,283
Fees and charges			285,134	0	285,134
Interest revenue	125,843			0	125,843
Other revenue				16,188	16,188
Capital grants, subsidies and contributions				880,000	880,000
Total	3,740,840	0	285,134	896,188	4,922,162

For the year ended 30 June 2022

Nature	Contracts with customers	Capital grant/contributions	Statutory Requirements	Other	Total
	\$	\$	\$	\$	\$
Rates	3,437,101			0	3,437,101
Grants, subsidies and contributions	113,604			0	113,604
Fees and charges			298,408	0	298,408
Interest revenue	26,533			0	26,533
Other revenue				12,135	12,135
Capital grants, subsidies and contributions		187,493		0	187,493
Total	3,577,238	187,493	298,408	12,135	4,075,274

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

2. REVENUE AND EXPENSES (Continued)

(a) Revenue (Continued)

Note	2023 Actual \$	2022 Actual \$
Interest revenue		
Interest on reserve account funds	52,753	4,443
Trade and other receivables overdue interest	18,608	18,633
Other interest revenue	54,482	3,457
	<u>125,843</u>	<u>26,533</u>
The 2023 original budget estimate in relation to: Trade and other receivables overdue interest was \$20,000		
Fees and charges relating to rates receivable		
Charges on instalment plan	6,705	18,633
The 2023 original budget estimate in relation to: Charges on instalment plan was \$18,700		

(b) Expenses

Auditors remuneration		
- Audit of the Annual Financial Report	24,600	25,000
- Other services – grant acquittals	0	4,200
	<u>24,600</u>	<u>29,200</u>
Employee Costs		
Employee benefit costs		
Other employee costs	1,577,085	1,456,082
	<u>1,577,085</u>	<u>1,456,082</u>
Finance costs		
Interest and financial charges paid/payable for lease liabilities and financial liabilities not at fair value through profit or loss	51,298	54,375
	<u>51,298</u>	<u>54,375</u>
Sundry expenses	43,263	46,904
	<u>43,263</u>	<u>46,904</u>

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

3. CASH AND CASH EQUIVALENTS

Note	2023	2022
	\$	\$
Cash at bank and on hand	2,550,422	2,361,797
Total cash and cash equivalents	2,550,422	2,361,797
Held as		
- Unrestricted cash and cash equivalents	561,863	690,593
- Restricted cash and cash equivalents	1,988,559	1,671,204
14	2,550,422	2,361,797

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

Restricted financial assets

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

4. OTHER FINANCIAL ASSETS

(b) Non-current assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss

Units in Local Government House Trust - opening balance
Movement attributable to fair value increment
Units in Local Government House Trust - closing balance

2023	2022
\$	\$
20,389	19,451
20,389	19,451
19,451	17,517
938	1,934
20,389	19,451

Loans receivable from clubs/institutions have the same terms and conditions as the related borrowing disclosed in Note 22(a) as self supporting loans. Fair value of financial assets at fair value through profit or loss is determined from the net asset value of the units held in the Trust at balance date as compiled by WALGA.

SIGNIFICANT ACCOUNTING POLICIES

Other financial assets at amortised cost

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

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

Fair values of financial assets at amortised cost are not materially different to their carrying amounts, since the interest receivable on those assets is either close to current market rates or the assets are of a short term nature. Non-current financial assets at amortised cost fair values are based on discounted cash flows using a current market rates. They are classified as level 2 fair values in the fair value hierarchy (see Note 19 (i)) due to the observable market rates).

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

Financial assets at fair value through profit or loss

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

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

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

5. TRADE AND OTHER RECEIVABLES

Note	2023	2022
	\$	\$
Current		
Rates and statutory receivables	19,144	37,307
Trade receivables	546,002	65,673
Other receivables	93,539	0
	658,685	102,980
Non-current		
Lease receivables	86,914	92,709
Long Service Leave - due by other Local Governments	11,711	0
	98,625	92,709

SIGNIFICANT ACCOUNTING POLICIES

Rates and statutory receivables

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

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

Trade receivables

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

Other receivables

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

Measurement

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

Classification and subsequent measurement

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

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

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

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

6. PROPERTY, PLANT AND EQUIPMENT

(a) Movements in Balances

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

	Land	Buildings - specialised	Total land and buildings not subject to operating lease	Total land and buildings	Furniture and equipment	Plant and equipment	Total property, plant and equipment
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	8,040,000	6,791,922	14,831,922	14,831,922	34,772	308,111	15,174,805
Additions		1,299	1,299	1,299		139,570	140,869
Disposals			0	0		(74,854)	(74,854)
Revaluation increments / (decrements) transferred to revaluation surplus	1,445,000	(123,761)	1,321,239	1,321,239			1,321,239
Revaluation (loss) / reversals transferred to profit or loss		(646,241)	(646,241)	(646,241)			(646,241)
Depreciation		(126,146)	(126,146)	(126,146)	(4,572)	(66,717)	(197,435)
Transfers		(24,251)	(24,251)	(24,251)			(24,251)
Balance at 30 June 2022	9,485,000	5,872,822	15,357,822	15,357,822	30,200	306,110	15,694,132
Comprises:							
Gross balance amount at 30 June 2022	9,485,000	6,645,209	16,130,209	16,130,209	52,051	428,914	16,611,174
Accumulated depreciation at 30 June 2022	0	(772,387)	(772,387)	(772,387)	(21,851)	(122,804)	(917,042)
Balance at 30 June 2022	9,485,000	5,872,822	15,357,822	15,357,822	30,200	306,110	15,694,132
Additions		908,118	908,118	908,118	2,894	103,462	1,014,474
Disposals			0	0		(62,571)	(62,571)
Assets classified as held for sale			0	0			0
Depreciation		(146,217)	(146,217)	(146,217)	(4,540)	(61,442)	(212,199)
Balance at 30 June 2023	9,485,000	6,634,723	16,119,723	16,119,723	28,554	285,559	16,433,836
Comprises:							
Gross balance amount at 30 June 2023	9,485,000	7,395,946	16,880,946	16,880,946	54,944	430,667	17,366,557
Accumulated depreciation at 30 June 2023	0	(761,223)	(761,223)	(761,223)	(26,390)	(145,108)	(932,721)
Balance at 30 June 2023	9,485,000	6,634,723	16,119,723	16,119,723	28,554	285,559	16,433,836

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

6. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Land and buildings					
Land	Level 3	Current replacement cost	Independent Expert Valuer	June 2022	Current replacement cost/condition assessment (Level 2)/residual values and estimated remaining life (Level 3)
Buildings - specialised	Level 3	Current replacement cost	Independent Expert Valuer	June 2022	Current replacement cost/condition assessment (Level 2)/residual values and estimated remaining life (Level 3)
<p>Level 3 inputs are based on assumptions with regards to future values and patterns of consumption utilising current information. If the basis of these assumptions were varied, they have the potential to result in a significantly higher or lower fair value measurement.</p> <p>During the period there were no changes in the valuation techniques used by the local government to determine the fair value of property, plant and equipment using either level 2 or level 3 inputs.</p>					
(ii) Cost					
Furniture and equipment		Cost	Cost	N/A	N/A
Plant and equipment		Cost	Cost	N/A	N/A

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

7. INFRASTRUCTURE

(a) Movements in Balances

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

	Infrastructure - roads	Other infrastructure - Footpaths	Other infrastructure Drainage	Other infrastructure - Parks & Ovals	Other infrastructure - Other	Total Infrastructure
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2021	10,483,778	1,980,059	674,559	1,274,139	301,123	14,713,658
Additions		85,480		125,165		210,645
Depreciation	(213,941)	(40,414)	(9,777)	(85,218)	(17,119)	(366,469)
Transfers					33,358	33,358
Balance at 30 June 2022	10,269,837	2,025,125	664,782	1,314,086	317,362	14,591,192
Comprises:						
Gross balance at 30 June 2022	11,068,360	2,217,722	715,547	1,581,972	356,383	15,939,984
Accumulated depreciation at 30 June 2022	(798,523)	(192,597)	(50,765)	(267,886)	(39,021)	(1,348,792)
Balance at 30 June 2022	10,269,837	2,025,125	664,782	1,314,086	317,362	14,591,192
Additions	4,929	15,420	33,742	34,960	53,071	142,122
Revaluation increments / (decrements) transferred to revaluation surplus	2,132,473	225,514	363,636	(56,680)	68,590	2,733,533
Depreciation	(213,939)	(42,122)	(9,780)	(101,595)	(8,394)	(375,830)
Balance at 30 June 2023	12,193,300	2,223,937	1,052,380	1,190,771	430,629	17,091,017
Comprises:						
Gross balance at 30 June 2023	12,193,300	2,223,937	1,052,380	1,190,771	430,629	17,091,017
Balance at 30 June 2023	12,193,300	2,223,937	1,052,380	1,190,771	430,629	17,091,017

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

7. INFRASTRUCTURE (Continued)

(b) Carrying Value Measurements

Asset Class	Fair Value Hierarchy	Valuation Technique	Basis of Valuation	Date of Last Valuation	Inputs Used
(i) Fair Value					
Infrastructure - roads	Level 3	Current replacement cost	Independent expert valuer	June 2023	Current replacement cost value of similar assets adjusted for condition and comparability
Other infrastructure - Footpaths	Level 3	Current replacement cost	Independent expert valuer	June 2023	Current replacement cost value of similar assets adjusted for condition and comparability
Other infrastructure Drainage	Level 3	Current replacement cost	Independent expert valuer	June 2023	Current replacement cost value of similar assets adjusted for condition and comparability
Other infrastructure - Parks & Ovals	Level 3	Current replacement cost	Independent expert valuer	June 2023	Current replacement cost value of similar assets adjusted for condition and comparability
Other infrastructure - Other	Level 3	Current replacement cost	Independent expert valuer	June 2023	Current replacement cost value of similar assets adjusted for condition and comparability

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

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

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

8. FIXED ASSETS

(a) Depreciation

Depreciation rates

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

Asset Class	Useful life
Buildings - specialised	30-50 years
Furniture and equipment	4 to 10 years
Plant and equipment	5 to 15 years
Infrastructure - roads	20 to 40 years
Other infrastructure - Footpaths	50 years
Other infrastructure Drainage	70 years
Other infrastructure - Parks & Ovals	3 to 50 years
Other infrastructure - Other	5 to 50 years

Revision of useful lives of plant and equipment

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

8. FIXED ASSETS (Continued)

SIGNIFICANT ACCOUNTING POLICIES

Fixed assets

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

Initial recognition and measurement for assets held at cost

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

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

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

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

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

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

Revaluation

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

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

Revaluation (continued)

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

Depreciation

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

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

Depreciation on revaluation

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

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

Amortisation

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

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

Amortisation is included within depreciation in the Statement of Comprehensive Income and in Note 8(a).

Impairment

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

Gains or losses on disposal

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

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

9. LEASES

(a) Right-of-Use Assets

	Right-of-use assets - plant and equipment	Right-of-use assets Total
Note	\$	\$
Movement in the balance of each class of right-of-use asset between the beginning and the end of the current financial year.		
Balance at 1 July 2021	60,916	60,916
Depreciation	(32,155)	(32,155)
Balance at 30 June 2022	28,761	28,761
Gross balance amount at 30 June 2022	60,916	60,916
Accumulated depreciation at 30 June 2022	(32,155)	(32,155)
Balance at 30 June 2022	28,761	28,761
Depreciation	(13,714)	(13,714)
Balance at 30 June 2023	15,047	15,047
Gross balance amount at 30 June 2023	60,916	60,916
Accumulated depreciation at 30 June 2023	(45,869)	(45,869)
Balance at 30 June 2023	15,047	15,047

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

	2023 Actual \$	2022 Actual \$
Depreciation on right-of-use assets	(13,714)	(32,155)
Total amount recognised in the statement of comprehensive income	(13,714)	(32,155)
Total cash outflow from leases	(13,682)	(33,763)
(b) Lease Liabilities		
Current	11,785	14,497
Non-current	6,007	16,977
22(b)	17,792	31,474

Secured liabilities and assets pledged as security

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

SIGNIFICANT ACCOUNTING POLICIES

Leases

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

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

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

Details of individual lease liabilities required by regulations are provided at Note 22(b).

Right-of-use assets - measurement

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

Refer to Note 8 under revaluation for details on the accounting policies applying to vested improvements.

Right-of-use assets - depreciation

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

**SHIRE OF PEPPERMINT GROVE
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9. LEASES (Continued)

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

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

2023 Actual \$	2022 Actual \$
\$	\$

**SHIRE OF PEPPERMINT GROVE
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10. TRADE AND OTHER PAYABLES

Current

Sundry creditors
Prepaid rates
Bonds and deposits held
Other payables- Building Levies

	2023	2022
	\$	\$
	480,586	244,695
	0	13,647
	147,090	108,310
	53,309	36,122
	680,985	402,774

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are initially recognised at fair value when the Shire becomes a party to the contractual Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised Financial liabilities are derecognised where the related profit or loss.

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Shire prior to the payments in respect of the purchase of these goods and services. The amounts are unsecured, amounts of trade and other payables are occurred (start of the next financial year), refundable at the request of the ratepayer. Rates received in advance are initially recognised as a financial liability. When the taxable event occurs, the financial liability is extinguished and the Shire

**SHIRE OF PEPPERMINT GROVE
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FOR THE YEAR ENDED 30 JUNE 2023**

11. BORROWINGS

	Note	2023			2022		
		Current	Non-current	Total	Current	Non-current	Total
Secured		\$	\$	\$	\$	\$	\$
Debentures		38,885	615,808	654,693	36,822	654,693	691,515
Total secured borrowings	22(a)	38,885	615,808	654,693	36,822	654,693	691,515

Secured liabilities and assets pledged as security

Debentures, bank overdrafts and bank loans are secured by a floating charge over the assets of the Shire of Peppermint Grove. Other loans relate to transferred receivables. Refer to Note 5.

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

SIGNIFICANT ACCOUNTING POLICIES

Borrowing costs

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

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

Borrowings fair values are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 19(i)) due to the unobservable inputs, including own credit risk.

Risk

Details of individual borrowings required by regulations are provided at Note 22(a).

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

12. EMPLOYEE RELATED PROVISIONS

Employee Related Provisions

	2023	2022
	\$	\$
Current provisions		
Employee benefit provisions		
Annual leave	112,607	86,114
Long service leave	62,738	117,881
	175,345	203,995
Total current employee related provisions	175,345	203,995
Non-current provisions		
Employee benefit provisions		
Long service leave	41,314	3,117
	41,314	3,117
Total non-current employee related provisions	41,314	3,117
Total employee related provisions	216,659	207,112

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

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

SIGNIFICANT ACCOUNTING POLICIES

Employee benefits

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

Short-term employee benefits

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

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

Other long-term employee benefits

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

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

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

13. REVALUATION SURPLUS

	2023 Opening Balance	Total Movement on Revaluation	2023 Closing Balance	2022 Opening Balance	Total Movement on Revaluation	2022 Closing Balance
	\$	\$	\$	\$	\$	\$
Revaluation surplus - Land - freehold land	9,029,050		9,029,050	7,584,050	1,445,000	9,029,050
Revaluation surplus - Buildings - specialised	467,474		467,470	591,235	(123,761)	467,474
Revaluation surplus - Infrastructure - roads	9,768,320	2,132,473	11,900,793	9,768,320		9,768,320
Revaluation surplus - Other infrastructure - Footpaths	920,836	225,514	1,146,350	920,836		920,836
Revaluation surplus - Other infrastructure Drainage	418,528	363,636	782,164	418,528		418,528
Revaluation surplus - Other infrastructure - Parks & Ovals	227,968	12,034	240,002	227,968		227,968
	20,832,176	2,733,657	23,565,829	19,510,937	1,321,239	20,832,176

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

14. RESTRICTIONS OVER FINANCIAL ASSETS

The following classes of financial assets have restrictions imposed by regulations or other externally imposed requirements which limit or direct the purpose for which the resources may be used:

- Cash and cash equivalents

Note	2023 Actual \$	2022 Actual \$
3	1,988,559	1,671,204
	1,988,559	1,671,204
23	1,988,559	1,671,204
	1,988,559	1,671,204

The restricted financial assets are a result of the following specific purposes to which the assets may be used:

Restricted reserve accounts

Total restricted financial assets

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

Bank overdraft limit

Bank overdraft at balance date

Credit card limit

Credit card balance at balance date

Total amount of credit unused

Loan facilities

Loan facilities - current

Loan facilities - non-current

Total facilities in use at balance date

Unused loan facilities at balance date

200,000	200,000
0	0
50,000	50,000
6,468	12,408
256,468	262,408
36,822	36,822
617,871	654,693
654,693	691,515

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

16. RELATED PARTY TRANSACTIONS

(a) Elected Member Remuneration

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

Note	2023 Actual	2023 Budget	2022 Actual
	\$	\$	\$
President's annual allowance	15,048	15,424	15,048
President's meeting attendance fees	18,176	18,177	18,176
President's annual allowance for ICT expenses		1,200	
	33,224	34,801	33,224
Deputy President's annual allowance	3,764	3,856	3,762
Deputy President's meeting attendance fees	9,088	9,315	9,088
Deputy President's annual allowance for ICT expenses		1,200	
	12,852	14,371	12,850
All other council member's meeting attendance fees	45,440	46,575	45,440
All other council member's annual allowance for ICT expenses	4,500	6,000	
	49,940	52,575	45,440
16(b)	96,016	101,747	91,514

(b) Key Management Personnel (KMP) Compensation

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

Note	2023 Actual	2022 Actual
	\$	\$
Short-term employee benefits	729,529	751,298
Post-employment benefits	107,911	114,734
Employee - other long-term benefits	9,757	16,495
Employee - termination benefits	0	4,715
Council member costs	96,016	91,514
16(a)	943,213	978,756

Short-term employee benefits

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

Post-employment benefits

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

Other long-term benefits

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

Termination benefits

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

Council member costs

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

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

16. RELATED PARTY TRANSACTIONS

Transactions with related parties

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

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

In addition to KMP compensation above the following transactions occurred with related parties:

	2023 Actual	2022 Actual
	\$	\$
Town of Mosman Park		
Contributions to the Library & Community Centre	(684,353)	(618,817)
Town of Cottesloe		
Contributions to the Library & Community Centre	(594,855)	(536,823)
Investments in associates:		
Distributions received from investments in associates	11,639	(10,669)

Related Parties

The Shire's main related parties are as follows:

i. Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any council member, are considered key management personnel and are detailed in Notes 16(a) and 16(b)

ii. Other Related Parties

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

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

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

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

iii. Entities subject to significant influence by the Shire

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

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

17. JOINT ARRANGEMENTS

Share of joint operations

The Shire of Peppermint Grove has a 8.52% (2022; 9.09%) share in the Grove Library services to the residents of the Shire of Peppermint Grove, Town Mosman Park and Town of Cottesloe. The voting rights of the Shire is 33.33%. The principal place of business is 1 Leake Street Peppermint Grove WA 6011.

The Shire's interest in the Grove Library is accounted for as a joint operation using the proportional consolidation method in the financial statements. Summarised financial information of the joint operation is based on IFRS financial statements as at the 30 June 2023 and the year then ended, and adjusted for the Shire's proportional interest (8.52%) is set out below.

Statement of Financial Position

Property Plant & Equipment

Total assets

Employee Related Provisions- Current

Employee Related Provisions- Non Current

Total equity

Statement of Comprehensive Income

Revenue

Fees & Charges

Other revenue

Expenses

Employee Costs

Materials & Contracts

Utility Charges

Insurance Expenses

Other expense

Profit/(loss) for the period

Total comprehensive income for the period

	2023 Actual	2022 Actual
	\$	\$
Property Plant & Equipment	1,073,350	1,138,691
Total assets	1,073,350	1,138,691
Employee Related Provisions- Current	(19,278)	(19,001)
Employee Related Provisions- Non Current	(190)	(575)
Total equity	1,053,882	1,119,115
Revenue		
Fees & Charges	3,664	4,099
Other revenue	0	191
	3,664	4,290
Expenses		
Employee Costs	(73,799)	(73,277)
Materials & Contracts	(36,207)	(30,121)
Utility Charges	(2,972)	(3,182)
Insurance Expenses	(4,126)	(4,117)
Other expense	(5,704)	(5,438)
Profit/(loss) for the period	(122,808)	(116,135)
Total comprehensive income for the period	(119,144)	(111,845)

SIGNIFICANT ACCOUNTING POLICIES

Joint operations

A joint operation is a joint arrangement where the Shire has joint control with two or more parties to the joint arrangement. All parties to joint arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement.

Assets, liabilities, revenues and expenses relating to the Shire's interest in the joint operation are accounted for in accordance with the relevant Australian Accounting Standard.

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

18. INVESTMENT IN ASSOCIATES

(a) Investment in associates

Set out in the table below are the associates of the Shire. All associates are measured using the equity method. Western Australia is the principal place of business for all associates.

Name of entity	% of 3.69% - ownership interest		2023	2022
	2023	2022	Actual	Actual
Western Metropolitan Regional Council (Refer to Note 18(b))	100.00%	100.00%	\$ 121,015	\$ 109,376
Total equity-accounted investments			121,015	109,376

(b) The Shire of Peppermint Grove, together with the Towns of Cottesloe, Claremont and Mosman Park & the City of Subiaco have a joint venture arrangement for the provision of a waste transfer station via the Western Metropolitan Regional Council. The Shire's interest in the Joint Venture as at the 30 June 2023 is 3.69% (2022: 3.69%) representing its share of the net assets of the Western Metropolitan Regional Council of \$3,279,567 (2022: \$2,964,205)

	Note	2023 Actual	2022 Actual
Summarised statement of comprehensive income		\$	\$
Revenue		281,890	237,265
Interest revenue		1,748	113
Finance charge			
Depreciation		(8,943)	(41)
Profit/(loss) from continuing operations		11,639	(10,669)
Profit/(loss) from discontinued operations			
Profit/(loss) for the period		11,639	(10,669)
Other comprehensive income			
Total comprehensive income for the period		11,639	(10,669)
Summarised statement of financial position			
Cash and cash equivalents		43,518	52,876
Other current assets		18,178	15,319
Total current assets		61,696	68,195
Non-current assets		97,367	91,980
Total assets		159,063	160,175
Current financial liabilities		30,040	38,646
Other current liabilities		7,463	9,343
Total current liabilities		37,503	47,989
Non-current financial liabilities		545	2,810
Other non-current liabilities			
Total non-current liabilities		545	2,810
Total liabilities		38,048	50,799
Net assets		121,015	109,376
Reconciliation to carrying amounts			
Opening net assets 1 July		109,376	120,045
Changes in members contributions			
Profit/(Loss) for the period		11,639	(10,669)
Other comprehensive income		0	0
Closing net assets 1 July		121,015	109,376
Carrying amount at 1 July		109,376	120,045
- Share of associates net profit/(loss) for the period	18(e)	11,639	(10,669)
- Share of associates other comprehensive income arising during the period		0	0
Carrying amount at 30 June (Refer to Note 18(a))		121,015	109,376

SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity over which the Shire has significant influence, that is it has the power to participate in the financial and operating policy decisions of the investee but not control or joint control of those policies.

Investments in associates are accounted for using the equity method. The equity method of accounting, is whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Shire's share of net assets of the associate. In addition, the Shire's share of the profit or loss of the associate is included in the Shire's profit or loss.

(e) Share of associates net profit/(loss) for the period

The Shire of Peppermint Grove, together with the Towns of Cottesloe, (refer to Note 18(b))

2023	2022
Actual	Actual
\$ 11,639	\$ (10,669)
11,639	(10,669)

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

19. OTHER SIGNIFICANT ACCOUNTING POLICIES

a) Goods and services tax (GST)

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

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

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

b) Current and non-current classification

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

c) Rounding off figures

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

d) Comparative figures

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

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

e) Budget comparative figures

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

f) Superannuation

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

g) Fair value of assets and liabilities

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

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

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

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

h) Interest revenue

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

i) Fair value hierarchy

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

Level 1

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

Level 2

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

Level 3

Measurements based on unobservable inputs for the asset or liability.

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

Valuation techniques

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

Market approach

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

Income approach

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

Cost approach

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

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

j) Impairment of assets

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

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

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

**SHIRE OF PEPPERMINT GROVE
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FOR THE YEAR ENDED 30 JUNE 2023**

21. DETERMINATION OF SURPLUS OR DEFICIT

		2022/23 Budget	2021/22
	2022/23 (30 June 2023 Carried Forward)	(30 June 2023 Carried Forward)	(30 June 2022 Carried Forward)
Note	\$	\$	\$
(a) Non-cash amounts excluded from operating activities			
The following non-cash revenue or expenditure has been excluded from amounts attributable to operating activities within the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> .			
Adjustments to operating activities			
Less: Profit on asset disposals	(40,854)	(28,725)	(21,165)
Less: Movement in liabilities associated with restricted cash			(23,802)
Less: Fair value adjustments to financial assets at fair value through profit or loss	(938)		(1,934)
Less: Share of net profit of associates and joint ventures accounted for using the equity method	(11,640)	0	10,669
Add: Loss on revaluation of fixed assets	7(a) 0	0	646,241
Add: Depreciation	8(a) 601,866	582,289	596,059
Non-cash movements in non-current assets and liabilities:			
Financial assets at amortised cost	0		
Assets held for sale	5 0		
Employee benefit provisions	38,197		50,361
Non-cash amounts excluded from operating activities	586,631	553,564	1,256,429
(b) Surplus or deficit after imposition of general rates			
The following current assets and liabilities have been excluded from the net current assets used in the Statement of Financial Activity in accordance with <i>Financial Management Regulation 32</i> to agree to the surplus/(deficit) after imposition of general rates.			
Adjustments to net current assets			
Less: Reserve accounts	23 (1,988,559)	(1,860,541)	(1,671,204)
Add: Current liabilities not expected to be cleared at end of year			
- Current portion of borrowings	11 38,885	163,664	36,822
- Current portion of lease liabilities	9(b) 11,785		14,497
- Employee benefit provisions	162,664		156,750
Total adjustments to net current assets	(1,775,225)	(1,696,877)	(1,463,135)
Net current assets used in the Statement of Financial Activity			
Total current assets	3,209,107	2,089,655	2,464,777
Less: Total current liabilities	(907,000)	(362,483)	(658,088)
Less: Total adjustments to net current assets	(1,775,225)	(1,696,877)	(1,463,135)
Surplus or deficit after imposition of general rates	526,882	30,295	343,554

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

20. RATING INFORMATION

(a) General Rates

RATE TYPE		Rate in	Number	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2022/23	2021/22
Rate Description	Basis of valuation	\$	of Properties	Actual Rateable Value*	Actual Rate Revenue	Actual Interim Rates	Actual Total Revenue	Budget Rate Revenue	Budget Interim Rate	Budget Total Revenue	Actual Total Revenue
		\$		\$	\$	\$	\$	\$	\$	\$	\$
General Rental Valuations	Gross rental valuation	0.0892	591	38,633,381	3,446,098	18,688	3,464,786	3,436,691	14,000	3,450,691	3,345,965
Total general rates			591	38,633,381	3,446,098	18,688	3,464,786	3,436,691	14,000	3,450,691	3,345,965
Minimum payment											
General Rental Valuations	Gross rental valuation	1,452	64	810,290	92,928		92,928	92,928		92,928	91,136
Total minimum payments			64	810,290	92,928	0	92,928	92,928	0	92,928	91,136
Total general rates and minimum payments			655	39,443,671	3,539,026	18,688	3,557,714	3,529,619	14,000	3,543,619	3,437,101
Total Rates							3,557,714			3,543,619	3,437,101
Rate instalment interest							13,254			12,000	11,136
Rate overdue interest							5,353			6,700	7,497

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

*Rateable Value at time of raising of rate.

SHIRE OF PEPPERMINT GROVE
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT
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22. BORROWING AND LEASE LIABILITIES

(a) Borrowings

Purpose	Note	Actual							Budget			
		Principal			Principal at 30 June 2022	Principal			Principal at 1 July 2022	Principal		
		Principal at 1 July 2021	New Loans During 2021-22	Repayments During 2021-22		New Loans During 2022-23	Repayments During 2022-23	Principal at 30 June 2023		Principal at 1 July 2022	New Loans During 2022-23	Repayments During 2022-23
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Library & Community Centre		725,468		(33,953)	691,515		(36,822)	654,693	691,515		(36,336)	655,179
Total		725,468	0	(33,953)	691,515	0	(36,822)	654,693	691,515	0	(36,336)	655,179
Self Supporting Loans												
Tennis Club - SSL					0			0		200,000		200,000
Total Self Supporting Loans		0	0	0	0	0	0	0	0	200,000	0	200,000
Total Borrowings	11	725,468	0	(33,953)	691,515	0	(36,822)	654,693	691,515	200,000	(36,336)	855,179

Self supporting loans are financed by payments from third parties. These are shown in Note 4 as other financial assets at amortised cost. All other loan repayments were financed by general purpose revenue.

Borrowing Finance Cost Payments

Purpose	Note	Loan Number	Institution	Interest Rate	Date final payment is due	Actual for year ending 30 June 2023	Budget for year ending 30 June 2023	Actual for year ending 30 June 2022
						\$	\$	\$
Library & Community Centre		41	WATC	6.90%	28/12/2034	(51,298)		(54,375)
Total						(51,298)	0	(54,375)
Total Finance Cost Payments						(51,298)	0	(54,375)

* WA Treasury Corporation

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

22. BORROWING AND LEASE LIABILITIES (Continued)

(b) Lease Liabilities

Purpose	Note	Actual							Budget			
		Principal			Principal at 30 June 2022	Principal			Principal at 1 July 2022	Principal		
		Principal at 1 July 2021	New Leases During 2021-22	Repayments During 2021-22		New Leases During 2022-23	Repayments During 2022-23	Principal at 30 June 2023		Principal at 1 July 2022	New Leases During 2022-23	Repayments During 2022-23
Photocopier		41,362		(11,785)	29,577		(11,785)	17,792	29,577		(12,000)	17,577
Folding Machine		2,501		(2,304)	197		(197)	0	197		(197)	0
Photocopier- Library		21,374		(19,674)	1,700		(1,700)	0	1,700		(1,700)	0
Total Lease Liabilities	9(b)	65,237	0	(33,763)	31,474	0	(13,682)	17,792	31,474	0	(13,897)	17,577

**SHIRE OF PEPPERMINT GROVE
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23. RESERVE ACCOUNTS	2023	2023	2023	2023	2023	2023	2023	2022	2022	2022	2022	
	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Actual	Actual	Actual	Actual	
	Opening	Transfer to	Transfer	Closing	Opening	Transfer to	Transfer	Opening	Transfer to	Transfer	Closing	
	Balance		(from)	Balance	Balance		(from)	Balance		(from)	Balance	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Restricted by council												
(a) Leave reserve	156,750	44,948		201,697	158,273	21,250		179,523	106,384	50,366	156,750	
(b) Plant reserve	103,057	23,253		126,310	103,214	20,850		124,064	20,985	82,072	103,057	
(c) Infrastructure Building Reserve	745,196	114,085		859,281	693,402	93,452		786,854	642,983	102,213	745,196	
(d) Information Technology Reserve	24,270	766		25,036	24,465	350		24,815	24,202	68	24,270	
(e) Arts & Culture Reserve	41,017	0	(15,165)	25,852	20,823	20,425		41,248	20,934	20,083	41,017	
(f) Legal Costs Reserve	20,047	632		20,679	20,085	295		20,380	19,974	73	20,047	
(g) Roads & Drainage Reserve	545,636	47,724		593,360	494,239	33,180		527,419	444,108	101,528	545,636	
(h) Library Infrastructure Reserve	35,231	1,113		36,344	35,513	20,725		56,238	11,193	24,038	35,231	
(i) Investment Reserve	0	100,000		100,000		100,000		100,000	0		0	
	1,671,204	332,521	(15,165)	1,988,559	1,550,014	310,527	0	1,860,541	1,290,763	380,441	0	1,671,204
	1,671,204	332,521	(15,165)	1,988,559	1,550,014	310,527	0	1,860,541	1,290,763	380,441	0	1,671,204

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

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

Name of reserve account	Purpose of the reserve account
Restricted by council	
(a) Leave reserve	To fund Annual & Long Service Leave entitlements
(b) Plant reserve	To fund replacement and upgrading of Council vehicles and plant
(c) Infrastructure Building Reserve	To fund replacement and upgrading of recreational infrastructure and Municipal Buildings
(d) Information Technology Reserve	To fund replacement and upgrading of Council's Information & Technology Assets
(e) Arts & Culture Reserve	To enable the purchase of Public Art
(f) Legal Costs Reserve	To provide for the future general expenses including building and planning actions
(g) Roads & Drainage Reserve	To fund renewal and expansion of Council's roads & drainage system
(h) Library Infrastructure Reserve	To fund the Shire's portion of Capital items at the Grove Library and /or Community Centre
(i) Investment Reserve	To fund the implementation of an Investment portfolio



Report 3: 2023-24 | 23 August 2023

FINANCIAL AUDIT RESULTS

Local Government 2021-22



Office of the Auditor General Western Australia

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

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

WESTERN AUSTRALIAN AUDITOR GENERAL'S REPORT

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

Report 3: 2023-24
23 August 2023

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**THE PRESIDENT
LEGISLATIVE COUNCIL**

**THE SPEAKER
LEGISLATIVE ASSEMBLY**

FINANCIAL AUDIT RESULTS – LOCAL GOVERNMENT 2021-22

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

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

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

CAROLINE SPENCER
AUDITOR GENERAL
23 August 2023

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Auditor General's overview

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

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



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

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

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

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

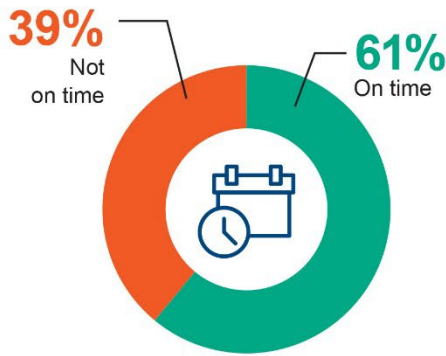
Our engagement with the sector is not all one way. We value feedback on our work and I have appreciated the opportunity to discuss, with both Local Government Professionals WA and the Western Australian Local Government Association, the outcomes of their 2022 survey of the sector. We welcome the feedback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

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

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

2021-22 financial audits at a glance

Auditing local government



Audits completed by 31 December



148 local government entities



146 audits finalised and the results included in this report



20 entities audited by OAG staff

128 entities audited by contracted audit firms



The 146 entities with finalised audits had:
\$51 billion of total reported assets



\$4.76 billion in total operating revenue

\$2.8 billion in rates

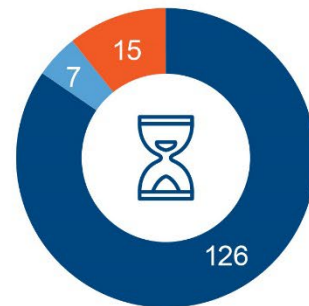
\$1.16 billion in fees and charges

Timeliness of financial reports

(page 41)

Timeliness of original submission (unaudited)

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



Audit results

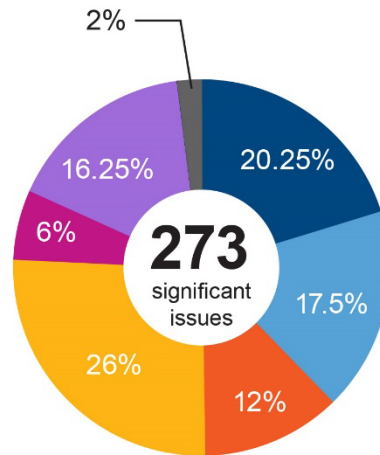


880 management control issues

(page 25)

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

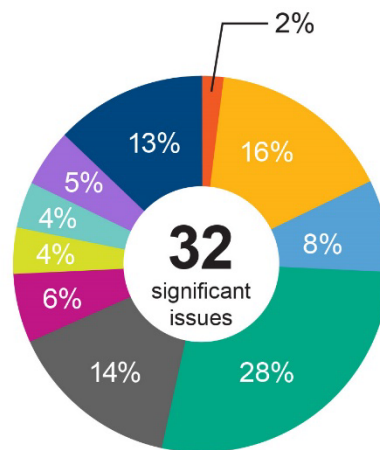
- Expenditure
- Accounting procedure
- Payroll and human resources
- Asset management
- Revenue
- Governance
- Other



334 information system control weaknesses

(page 31)

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



Issues impacting entity reporting



Valuation of assets
(page 32)



Reconciliations
(page 33)



Approval and support of journals
(page 33)



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



Other changes to accounting standards
(page 35)

Executive summary

Review of the 2021-22 financial year

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

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

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

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

Outstanding issues

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

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

Source: OAG

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

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

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

Table 1: Audit results for the past five years

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

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

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

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

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

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

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

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

Where to from here

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

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

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

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

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

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

Introduction

This report contains findings from our 2021-22 financial audits of the local government sector. It includes the results for 146 of the 148 entities (Appendix 1), with the remaining two entities' results to be tabled in Parliament once their audits are completed. This report also includes the results of the 16 local government audits that were outstanding from the 2020-21 year at the time that year's results report¹ was issued (Appendix 8).

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

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

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

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

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

The appendices include other opinions and certifications issued for the State, local government and tertiary education sectors since our most recent results report².

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

Recommendations

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

Summary of audit opinions

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

The auditor's report includes:

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

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

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

Ten qualified audit opinions for 2021-22

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

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

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

Audits in progress

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

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

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

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

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

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

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

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

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

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

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

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

Seventeen entities received emphasis of matter paragraphs

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

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

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

A full description of these matters is at Appendix 4.

Material uncertainty related to going concern

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

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

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

We issued 224 audit certifications

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

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

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

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

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

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

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

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

Reporting requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Review of financial reports submitted for audit

Audit readiness and timeliness

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

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

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

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

Audit differences

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

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

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

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

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

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

Source: OAG

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

Positively, there were 55 entities⁵ that had no adjusted audit differences, indicating that the accounting records were complete, reliable and that they were appropriately audit ready. For 91 entities though, there were a combined total of 335 discreet adjusted audit differences. This represents an average of 3.7 per entity. Of these, 27 entities had five or more adjustments and four entities had 10 or more. The highest number of adjustments for a single entity was 14.

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

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

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

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

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

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

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

⁵ Two entities still outstanding for 2021-22 reporting period.

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

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

Source: OAG

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

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

Best practice entities

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

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

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

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

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

Source: OAG

Table 4: Best practice entities for 2021-22

Recommendation

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

Control weaknesses

Control environment

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

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

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

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

Source: OAG

Table 5: Risk categories for control weakness reported to management

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

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

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

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

Financial and management controls

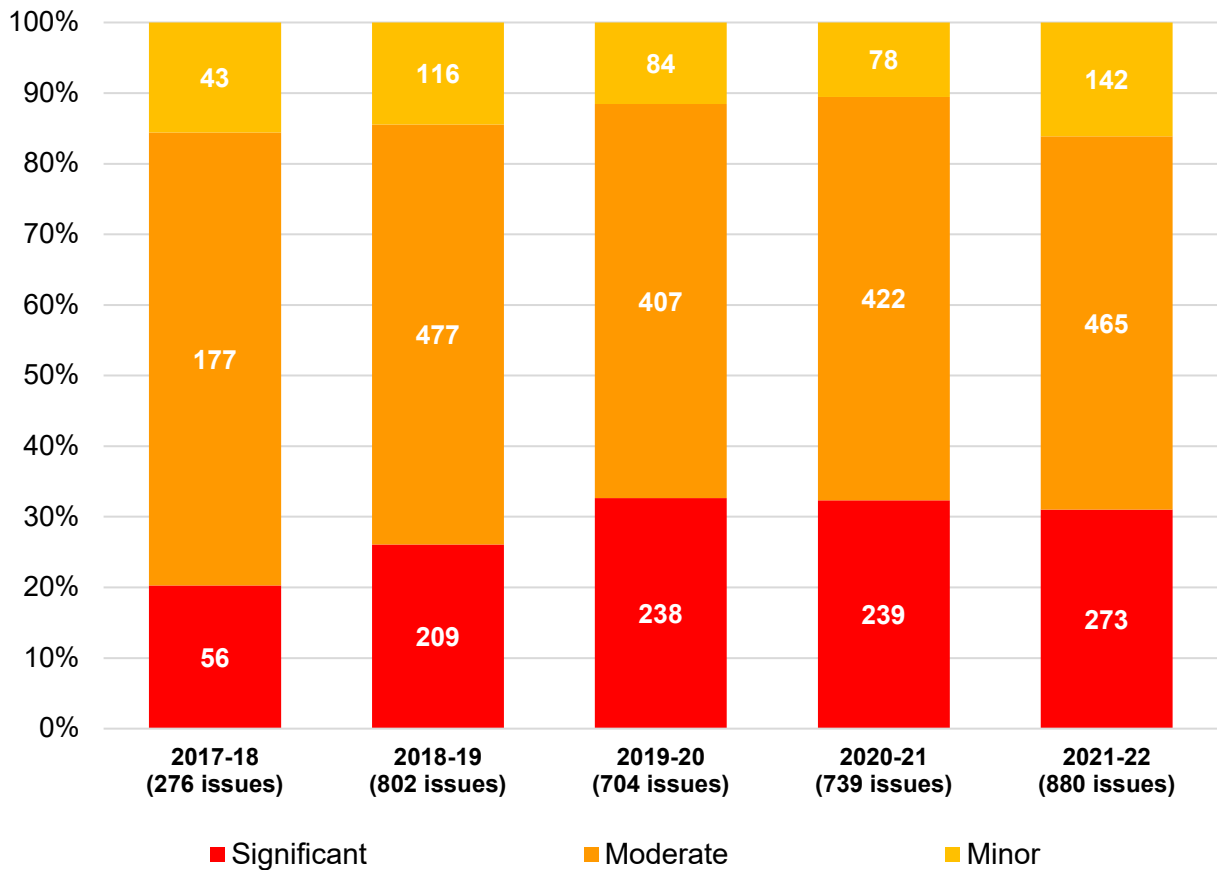
During 2021-22, we alerted 110 entities to 273 significant control weaknesses that needed their attention, an increase from 239 the previous year. We reported 880 control weaknesses in total across the three risk categories, also an increase from the total of 739 we reported in 2020-21 (Figure 2). In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



Source: OAG

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

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

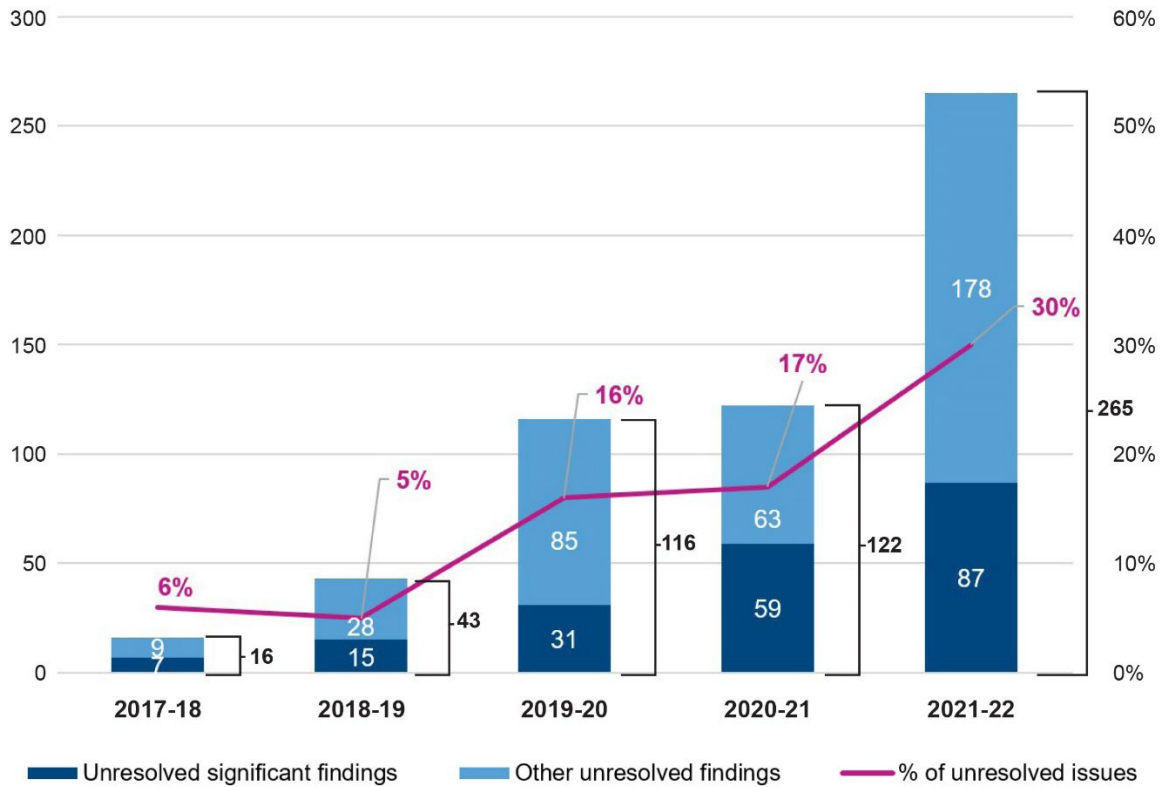


Source: OAG

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

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

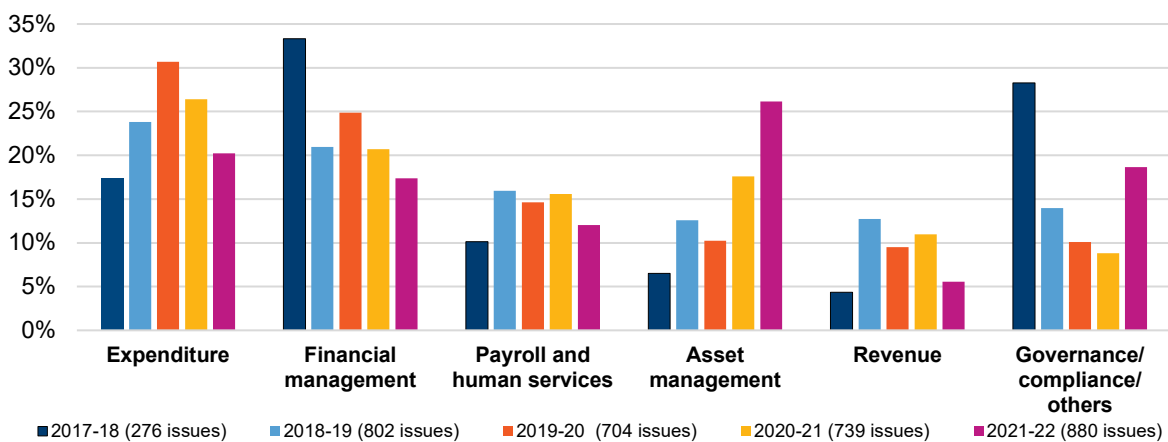
As highlighted in Figure 3, 265 control weaknesses (30%) at 63 entities were unresolved from the prior year. Disappointingly, this proportion is significantly higher than for 2020-21 (17%). In addition, the number of significant weaknesses identified that remain unresolved has also increased from the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



Source: OAG

Figure 3: Unresolved financial management control findings

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



Source: OAG

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

Figure 4: Financial and management control weaknesses reported to entities

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

Expenditure

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

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

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

Payroll and human resources

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

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

Governance and compliance

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

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

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

Financial management

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

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

Assets

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

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

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

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

Revenue

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

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

Recommendation

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

Information system controls

In 2021-22, we reported 334 information system control weaknesses to 53 entities⁷, with 10% (32) of these rated as significant and 69% (232) as moderate. This was an improvement on last year when we reported 358 control weaknesses to 45 entities. However, entities should act promptly to resolve them, if not addressed these weaknesses could significantly compromise the confidentiality, integrity and availability of information systems.

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

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

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

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

Recommendation

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

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

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

Financial reporting, accountability and audit matters

Valuation of assets

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

What we found

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

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

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

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

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

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

Recommendation

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

Reconciliations

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

What we found

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

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

Approval and support for journals

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

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

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

Recognition or assessment of rehabilitation provision

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

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

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

Prior year adjustments were again reported for several entities

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

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

Key financial transactions that required additional audit effort

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

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

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

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

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

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

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

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

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

Unusual items of interest

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

Other changes to accounting standards

Fair value measurement

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

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

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

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

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

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

Impact of emergencies

COVID-19

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

There were a number of interesting observations, as follows:

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

Cyclone Seroja

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

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

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

Other emergencies

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

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

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

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

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

Quality and timeliness

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

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

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

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

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

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

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

Recommendation

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

Response from the DLGSC

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

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

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

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

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

Local government regulation amendments

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

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

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

Recommendation

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

Response from the DLGSC

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

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





Appendix 1: Status and timeliness of audits




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



The table lists each entity in alphabetical order, as well as the type of opinion they received, when the opinion was issued, whether the entity submitted their financial statements by the statutory deadline and our assessment whether these statements were audit ready.
















Assessment of audit readiness included factors such as whether the financial statements submitted were complete and if material adjustments were required to these.

Key

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

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

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





































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

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

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

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

	Entity	Type of opinion	Opinion issued	FS timeliness	Audit readiness
104	Shire of Narrogin	✓	20/12/2022	🕒	🚫
105	Shire of Ngaanyatjaraku	✓	16/12/2022	🕒	🕒
106	Shire of Northam	✓	16/12/2022	🕒	🕒
107	Shire of Northampton	✓	9/12/2022	🕒	🕒
108	Shire of Nungarin	✓	16/03/2023	🕒	🕒
109	Shire of Peppermint Grove	✓	15/12/2022	🕒	🚫
110	Shire of Perenjori	✓	24/01/2023	🕒	🕒
111	Shire of Pingelly	✓	13/12/2022	🕒	🕒
112	Shire of Plantagenet	✗	20/04/2023	🚫	🚫
113	Shire of Quairading	✓	16/03/2023	🕒	🚫
114	Shire of Ravensthorpe	✓	27/02/2022	🕒	🚫
115	Shire of Sandstone	✗	2/05/2023	🚫	🚫
116	Shire of Serpentine-Jarrahdale	✓	8/04/2022	🕒	🚫
117	Shire of Shark Bay	✓	24/03/2022	🕒	🚫
118	Shire of Tammin	✓	29/11/2022	🕒	🚫
119	Shire of Three Springs	✓	12/12/2022	🕒	🕒
120	Shire of Trayning	✓	5/04/2022	🕒	🚫
121	Shire of Upper Gascoyne	✓	8/12/2022	🕒	🕒
122	Shire of Victoria Plains	✓	16/12/2022	🕒	🕒
123	Shire of Wagin	✓	12/12/2022	🕒	🕒
124	Shire of Wandering	✓	01/03/2023	🕒	🕒
125	Shire of Waroona	✓	15/11/2022	🕒	🕒
126	Shire of West Arthur	✓	15/02/2023	🕒	🕒
127	Shire of Westonia	✓	14/04/2023	🕒	🚫
128	Shire of Wickepin	✓	19/04/2023	🕒	🚫
129	Shire of Williams	✓	20/02/2023	🕒	🚫
130	Shire of Wiluna	✗	19/06/2023	🕒	🕒
131	Shire of Wongan-Ballidu	✓	22/12/2022	🕒	🕒
132	Shire of Woodanilling	✗	22/12/2022	🕒	🕒
133	Shire of Wyalkatchem	✓	23/11/2022	🕒	🚫
134	Shire of Wyndham-East Kimberley	✓	01/03/2023	🕒	🕒

	Entity	Type of opinion	Opinion issued	FS timeliness	Audit readiness
135	Shire of Yilgarn		01/03/2023		
136	Shire of York		06/04/2023		
137	Tamala Park Regional Council		6/10/2022		
138	Town of Bassendean		10/02/2023		
139	Town of Cambridge		30/06/2023		
140	Town of Claremont		10/03/2023		
141	Town of Cottesloe		6/04/2023		
142	Town of East Fremantle		28/11/2022		
143	Town of Mosman Park		20/12/2022		
144	Town of Port Hedland		8/12/2022		
145	Town of Victoria Park		14/04/2023		
146	Western Metropolitan Regional Council		29/11/2022		

Source: OAG

* Resource Recovery Group previously known as Southern Metropolitan Regional Council.

Outstanding audits at 30 June 2023

	Entity	Balance date	Reason for delay
1	Shire of Toodyay	30 June 2022	The 2021 audit was significantly delayed and signed off only on 2 June 2023. The 2022 audit is delayed as the Shire is still in the midst of addressing the significant challenges with their financial system and are not able to provide complete and accurate records for audit purposes.
2	Shire of Yalgoo	30 June 2022	Late finalisation of the 2021 audit, lack of audit readiness for 2022 audit resulting in supporting documentation only provided recently to auditors.

Source: OAG

Response from the Shire of Narrogin

Annual financials accounts and reports were submitted on the 30 September 2022, in accordance with section 6.4(3) of the Local Government Act and at that time were balanced up to the last day of the preceding financial year.

Whilst our correspondence on the 30 September articulated final desktop revaluation figures being provided, the financials were balanced. There was no requirement to await the revalued assets as the Shire provided current asset valuations. In demonstrating transparency of our process the Shire communicated pending information that may or may not have required revision. There is no mandatory requirement for changing of these valuations at 30 September and could have been adjusted as part of the financial audit process, or in the current financial year for future audit purpose.

Therefore the financials were complete and balanced at the time of submission and 'ready for audit'. It is disappointing that at no time during the audit conversations including the final debrief that this perception of non-compliance was communicated by OAG. This subsequent correspondence on the 27 July 2023 was therefore surprising.

Whilst a subsequent update to Appendix 1 has been provided, the Shire still determines, that it provided balanced 'ready for audit' financials in accordance with the required deadline, the 30 September 2023 and section 6.4(3) of the Local Government Act.

Appendix 2: 2020-21 disclaimers of opinion

Entity and opinion	Opinion issued
<p>Shire of Toodyay – Disclaimer of opinion</p> <p>Financial report not supported with complete and accurate underlying records</p> <p>We were unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole, as the financial report was submitted for audit purposes without complete and accurate underlying records. We were unable to audit the financial report by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2021.</p>	02/06/2023
<p>Shire of Wiluna – Disclaimer of opinion</p> <p>Financial report not supported with complete and accurate underlying records</p> <p>We were unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole, as the financial report was submitted for audit purposes without complete and accurate underlying records. We were unable to audit the financial report by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2021 and 30 June 2020.</p>	22/12/2022
<p>Shire of Yalgoo – Disclaimer of opinion</p> <p>Financial report not supported with complete and accurate underlying records</p> <p>We were unable to obtain sufficient appropriate audit evidence regarding the financial report as a whole, as the financial report was submitted for audit purposes without complete and accurate underlying records. We were unable to audit the financial report by alternative means. Consequently, we are unable to determine whether any adjustments were necessary to the financial report as a whole for the year ended 30 June 2021 and 30 June 2020.</p>	18/04/2023

Source: OAG

Appendix 3: 2021-22 qualified opinions

Entity	Details of qualification
<p>City of Kalamunda</p>	<p>The City has not recognised 969 assets under Infrastructure assets (Drains) in the financial report at 30 June 2022. These assets have been included in the City's Asset Management System at nil values however, they were never recorded in the Fixed Assets Register and revalued to their fair value. As these assets have not been recognised in the financial report at fair value in accordance with <i>Regulation 17A(2)(a) of the Local Government (Financial Management) Regulations 1996</i>, we are unable to determine the extent to which Infrastructure – Drains balance reported in Note 9 of the financial report at \$123,730,140 at 30 June 2022 (2021: \$124,550,736) is misstated, as it is impracticable to do so.</p> <p>Additionally, there is a consequential impact on Depreciation, Infrastructure, Revaluation Surplus and Retained Earnings.</p>
<p>City of Mandurah</p>	<p>As detailed in Notes 8 and 9 to the financial report, at 30 June 2022 the total carrying value of the City's property, plant and equipment assets was \$272.2 million and infrastructure assets was \$761.9 million. For property, plant and equipment and infrastructure recorded at fair value, any movements are recognised in revaluation surplus, the balance of which was \$808.7 million at 30 June 2022. For the year ended 30 June 2022, the City recognised a depreciation expense of \$32.4 million and changes in the asset revaluation surplus of \$97.0 million in relation to these assets in the Statement of Comprehensive Income by Nature or Type.</p> <p>Management have indicated that there are gaps in their control processes, and they are not confident with the overall completeness of their fixed asset register at 30 June 2022.</p> <p>Consequently, we were unable to obtain sufficient appropriate audit evidence that all property, plant and equipment and infrastructure had been recorded and valued nor could we confirm this by alternative means. We are therefore unable to determine whether any adjustments to property, plant and equipment, infrastructure, revaluation surplus, depreciation expense and changes in asset revaluation surplus were necessary.</p>
<p>Shire of Boyup Brook</p>	<p>Biological assets –</p> <p>During 2020-21, we were unable to obtain sufficient appropriate audit evidence to verify the opening balance of biological assets nor were we able to confirm it by alternative means. Since the opening balance of biological assets for the year ended 30 June 2021 affects the determination of operations, we were unable to determine whether any adjustments to the Net result for the year ended 30 June 2021 was necessary. The opinion on the financial report for the period ended 30 June 2021 was modified accordingly.</p> <p>The opinion on the current year financial report is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.</p>
<p>Shire of Goomalling</p>	<p>Roads, drainage and footpaths reported at values of \$38,834,816 (2021: \$37,561,502), \$2,194,289 (2021: \$2,235,092) and \$732,466 (2021: \$756,040) respectively in Note 8 (a) of the financial report as at 30 June 2022 were not revalued as required by <i>Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996</i> since 2014-15. Consequently, we are unable to determine the extent to which the net carrying amount of these classes of assets is misstated, as it was impracticable to do so. Additionally, we are unable to</p>

Entity	Details of qualification
	determine whether there may be any consequential impact on Depreciation, Revaluation Surplus, Retained Earnings and Note 23 (d) Total Assets Classified by Function and Activity.
Shire of Mount Magnet	The Shire's operating grants, subsidies and contributions of \$2,650,673, Capital grants, subsidies and contributions of \$521,726 reported in Note 2 (a) and Contract Liabilities of \$110,545 reported within Note 12 of the financial report as at 30 June 2022 were not assessed in accordance with the requirements of AASB 15 <i>Revenue from Contracts with Customers</i> or AASB 1058 <i>Income of Not-for-Profit Entities</i> . We are unable to determine the extent to which these amounts are misstated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.
Shire of Nannup	Infrastructure reported at the carrying value of \$100,707,176 in the financial report as at 30 June 2022 has not been revalued as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996 since 2016-17. Consequently, we were unable to determine the extent to which the carrying amount of Infrastructure is misstated, as it was impracticable to do so. Additionally, we were unable to determine whether there may be any consequential impact on Revaluation Surplus and Note 21(d) Total Assets by Function and Activity.
Shire of Plantagenet	<p>The Shire has not valued 71 newly identified assets included under Other Infrastructure and Parks and Ovals in the financial report at 30 June 2022 at fair value in accordance with Regulation 17A(2)(a) of the Local Government (Financial Management) Regulations 1996. Consequently, we were unable to determine the extent to which Infrastructure – Other Infrastructure and Infrastructure – Parks and Ovals balances reported in Note 9(a) of the financial report for \$16,954,536 and \$6,792,411 respectively as at 30 June 2022 are misstated, as it is impracticable to do so.</p> <p>Additionally, we were unable to determine whether there may be any consequential impact on Depreciation, Accumulated Depreciation, Revaluation Surplus and Retained Earnings.</p> <p>Furthermore, the Shire has not disclosed, in the financial report at 30 June 2022, the nature and amount of any corrections that may be required to prior periods for each of the financial statement line items affected by the matter above, as required by AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>. We were unable to determine the extent of the misstatements, as it is impracticable to do so.</p>
Shire of Sandstone	<p>Road and footpaths infrastructure assets –</p> <p>The opinion was qualified in the prior period because the Shire had not revalued its roads and footpaths infrastructure assets stated at \$37,755,629 and \$71,845 respectively with sufficient regularity or in accordance with Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996. The Shire was unable to make the appropriate corrections for these prior year figures in the current year. Consequently, the opinion on the current year financial report is modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures in Note 8 of the financial report.</p>
Shire of Wiluna	<p>Airport and Other Infrastructure Assets –</p> <p>The revaluations of the Shire's Airport and Other infrastructure assets reported at \$5,353,146 and \$2,284,337 respectively in Note 9(a) of the financial report as at 30 June 2022 were not supported with</p>

Entity	Details of qualification
	<p>appropriate and complete accounting records. Consequently, I was unable to determine the extent to which the carrying amounts of Airports and Other infrastructure assets are misstated, as it was impracticable to do so. Additionally, I was unable to determine whether there may be any consequential impact on Depreciation, Revaluation Surplus and Note 25 (d) Total Assets Classified by Function and Activity.</p> <p>Financial report corresponding figures not supported with complete and accurate underlying records –</p> <p>A disclaimer of opinion was issued on the financial report for the year ended 30 June 2021 as the Shire’s financial report was not supported with complete and accurate underlying records. Consequently, we were unable to determine whether any adjustments were necessary to the comparative information for the year ended 30 June 2021.</p>
Shire of Woodanilling	<p>The Shire’s Land and Buildings, reported at values as at 30 June 2022 of \$498,000 and \$4,942,954 respectively in Note 8 of the annual financial report, were last valued in June 2017. Because the assets have not been revalued with sufficient regularity or in accordance with Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996, we were unable to determine whether Land and Buildings assets at 30 June 2022 of \$5,440,954 in the Statement of Financial Position is fairly stated. Additionally, we were unable to determine whether any adjustments are necessary to the related balances and disclosures of Revaluation Surplus in the Statement of Financial Position and Statement of Changes in Equity and Note 14, Other Comprehensive Income in the Statement of Comprehensive Income and Note 21(d) Total Assets Classified by Function and Activity, as it was impracticable to do so.</p>

Source: OAG

Appendix 4: Emphasis of matters paragraphs included in auditor's reports

The following list describes the matters that we highlighted through EoM paragraphs in 2022 audit reports:

Entity	Description of emphasis of matter paragraphs
City of Joondalup	Restatement of comparative balances – The opinion draws attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
City of Kalamunda	Restatement of comparative balances – The opinion draws attention to Note 34 to the financial report, which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in the financial report. The opinion is not modified in respect of this matter.
City of Karratha	Restatement of comparative figures – We draw attention to Note 32 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
City of Rockingham	Infrastructure assets revaluation – The opinion draws attention to Note 18 of the financial report which explains the basis for the significant infrastructure assets revaluation decrement in the year ended 30 June 2022. The opinion is not modified in respect of this matter.
Pilbara Regional Council	Basis of accounting – The opinion draws attention to Note 1(a) of the financial report, which discloses that the Council agreed to wind up Pilbara Regional Council. Consequently, the annual financial report has been prepared on a liquidation basis. The opinion is not modified in respect of this matter.
Rivers Regional Council	Basis of accounting – The opinion draws attention to Note 1(a) of the financial report, which discloses that the Council has decided to windup Rivers Regional Council. Consequently, the financial report has been prepared on a liquidation basis. The opinion is not modified in respect of this matter.
Shire of Broome	Restatement of comparative balances – The opinion draws attention to Note 31 to the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Broomehill-Tambellup	Restatement of comparative balances – The opinion draws attention to Note 29 to the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Dalwallinu	Restatement of comparative balances - The opinion draws attention to Note 28 to the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.

Entity	Description of emphasis of matter paragraphs
Shire of Denmark	Restatement of comparative balances – The opinion draws attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Derby – West Kimberley	Restatement of comparative figures – The opinion draws attention to Note 27 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Irwin	Restatement of comparative balances – The opinion draws attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Kent	Restatement of comparative balances – The opinion draws attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Koorda	Restatement of comparative figures – The opinion draws attention to Note 25 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Menzies	Restatement of comparative balances – The opinion draws attention to Note 28 of the financial report which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Merredin	Restatement of comparative balances – The opinion draws attention to Note 26 of the financial report, which states that the amounts reported in the previously issued 30 June 2021 financial report have been restated and disclosed as comparatives in this financial report. The opinion is not modified in respect of this matter.
Shire of Mount Marshall	Basis of accounting - The opinion draws attention to Note 1 and 11 to the annual financial report, which describes the basis of accounting. The annual financial report has been prepared for the purpose of fulfilling the Shire's annual financial reporting responsibilities under the Act. Including the Local Government (Financial Management) Regulations 1996 (Regulations). The opinion is not modified in respect of these matters: (i) Regulation 17A requires a local government to measure vested improvements at fair value and the associated vested land at zero cost. This is a departure from AASB 16 <i>Leases</i> which would have required the entity to measure the vested improvements also at zero cost. (ii) In respect of the comparatives for the previous year ended 30 June 2019, Regulation 16 did not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report.

Source: OAG

Appendix 5: Material uncertainty related to going concern

Entity	Description
Bunbury-Harvey Regional Council	The opinion draws attention to Note 19 in the financial report which indicates that the Regional Council has a negative retained surplus as at 30 June 2022 and that all reserves would be required to be utilised to cover the liability for the capping of the landfill. As stated in Note 19, these events indicate that a material uncertainty exists that may cast significant doubt on the Regional Councils' ability to continue as a going concern. The opinion is not modified in respect of this matter.

Source: OAG

Appendix 6: Certifications issued

In addition to annual auditor's reports, we issued the following 212 LRCI and RtR certifications as at 30 June 2023.

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
City of Albany	31/10/2022	1/11/2022
City of Armadale	9/02/2023	9/02/2023
City of Bayswater	4/11/2022	Audit in progress
City of Belmont	26/10/2022	26/10/2022
City of Bunbury	21/10/2022	24/10/2022
City of Busselton	21/10/2022	25/10/2022
City of Canning	2/11/2022	2/11/2022
City of Cockburn	31/10/2022	31/10/2022
City of Fremantle	8/12/2022	28/02/2023
City of Gosnells	31/10/2022	31/10/2022
City of Greater Geraldton	27/10/2022	2/11/2022
City of Joondalup	23/11/2022	23/11/2022
City of Kalamunda	26/10/2022	31/10/2022
City of Kalgoorlie-Boulder	Audit in progress	Audit in progress
City of Karratha	1/11/2022	Audit in progress
City of Kwinana	4/11/2022	9/11/2022
City of Mandurah	1/11/2022	31/10/2022
City of Melville	2/11/2022	9/11/2022
City of Nedlands	Audit in progress	Audit in progress
City of Perth	4/11/2022	8/11/2022
City of Rockingham	12/12/2022	12/12/2022
City of South Perth	8/11/2022	10/11/2022
City of Stirling	23/10/2022	21/12/2022
City of Subiaco	1/11/2022	7/11/2022
City of Swan	1/11/2022	1/11/2022
City of Vincent	27/10/2022	31/10/2022
City of Wanneroo	2/11/2022	2/11/2022
Shire of Ashburton	4/11/2022	Audit in progress
Shire of Augusta-Margaret River	1/11/2022	2/11/2022
Shire of Beverley	31/10/2022	19/05/2023
Shire of Boddington	31/10/2022	23/03/2023
Shire of Boyup Brook	4/11/2022	Audit in progress

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Bridgetown-Greenbushes	7/11/2022	8/12/2022
Shire of Brookton	31/10/2022	1/11/2022
Shire of Broome	20/12/2022	10/02/2023
Shire of Broomehill-Tambellup	Audit in progress	Audit in progress
Shire of Bruce Rock	1/11/2022	14/06/2023
Shire of Capel	2/06/2023	7/06/2023
Shire of Carnamah	16/12/2022	Audit In progress
Shire of Carnarvon	2/11/2022	20/12/2022
Shire of Chapman Valley	31/10/2022	8/11/2022
Shire of Chittering	2/11/2022	23/05/2023
Shire of Christmas Island	Audit in progress	Audit in progress
Shire of Cocos (Keeling) Islands	15/12/2022	20/12/2022
Shire of Collie	31/01/2023	Audit in progress
Shire of Coolgardie	1/12/2022	1/12/2022
Shire of Coorow	24/11/2022	Audit in progress
Shire of Corrigin	23/10/2022	17/05/2023
Shire of Cranbrook	25/10/2022	2/11/2022
Shire of Cuballing	Audit in progress	Audit in progress
Shire of Cue	31/10/2022	Audit in progress
Shire of Cunderdin	27/06/2023	13/06/2023
Shire of Dalwallinu	31/10/2022	31/10/2022
Shire of Dandaragan	2/11/2022	3/11/2022
Shire of Dardanup	3/04/2023	3/04/2023
Shire of Denmark	25/10/2022	14/11/2022 6/02/2023 – Phase 3
Shire of Derby-West Kimberley	Audit in progress	Audit in progress
Shire of Donnybrook-Balingup	31/10/2022	7/03/2023
Shire of Dowerin	24/10/2022	5/04/2023
Shire of Dumbleyung	14/11/2022	7/12/2022
Shire of Dundas	30/10/2022	Audit in progress
Shire of East Pilbara	Audit in progress	Audit in progress
Shire of Esperance	23/06/2023	Audit in progress
Shire of Exmouth	1/03/2023	3/03/2023
Shire of Gingin	31/10/2022	29/06/2023
Shire of Gnowangerup	28/10/2022	31/01/2023
Shire of Goomalling	30/10/2022	Audit in progress

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Halls Creek	30/05/2023	Audit in progress
Shire of Harvey	2/11/2022	7/12/2022
Shire of Irwin	23/01/2023	28/02/2023
Shire of Jerramungup	27/10/2022	31/10/2022
Shire of Katanning	21/04/2023	Audit in progress
Shire of Kellerberrin	25/10/2022	10/05/2023
Shire of Kent	23/10/2022	24/10/2022
Shire of Kojonup	26/10/2022	Audit in progress
Shire of Kondinin	30/10/2022	Audit in progress
Shire of Koorda	9/11/2022	Audit in progress
Shire of Kulin	27/10/2022	10/11/2022
Shire of Lake Grace	25/10/2022	24/03/2023
Shire of Laverton	4/11/2022	Audit in progress
Shire of Leonora	27/10/2022	7/10/2022
Shire of Manjimup	Audit in progress	Audit in progress
Shire of Meekatharra	26/10/2022	26/10/2022
Shire of Menzies	3/11/2022	22/11/2022
Shire of Merredin	23/06/2023	9/03/2023
Shire of Mingenew	31/10/2022	14/11/2022
Shire of Moora	Audit in progress	Audit in progress
Shire of Morawa	26/10/2022	31/10/2022
Shire of Mount Magnet	Audit in progress	Audit in progress
Shire of Mount Marshall	14/04/2023	26/05/2023
Shire of Mukinbudin	1/11/2022	Audit in progress
Shire of Mundaring	20/03/2023	20/03/2023
Shire of Murchison	12/12/2022	Audit in progress
Shire of Murray	31/10/2022	21/06/2023
Shire of Nannup	18/11/2022	10/03/2023
Shire of Narembeen	18/05/2023	Audit in progress
Shire of Narrogin	27/10/2022	27/10/2022
Shire of Ngaanyatjarraku	22/12/2022	26/10/2022
Shire of Northam	16/11/2022	8/12/2022
Shire of Northampton	1/11/2022	11/05/2023
Shire of Nungarin	3/11/2022	Audit in progress
Shire of Peppermint Grove	Audit in progress	Audit in progress

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Shire of Perenjori	25/11/2022	25/11/2022
Shire of Pingelly	27/10/2022	24/11/2022
Shire of Plantagenet	3/11/2022	31/10/2022
Shire of Quairading	Audit in progress	Audit in progress
Shire of Ravensthorpe	16/12/2022	2/05/2023
Shire of Sandstone	31/10/2022	Audit in progress
Shire of Serpentine-Jarrahdale	31/10/2022	17/05/2023
Shire of Shark Bay	27/10/2022	27/10/2022
Shire of Tammin	26/10/2022	22/12/2022
Shire of Three Springs	1/11/2022	Audit in progress
Shire of Toodyay	Audit in progress	Audit in progress
Shire of Trayning	16/02/2023	Audit in progress
Shire of Upper Gascoyne	24/10/2022	26/10/2022 1/11/2022 – Phase 3
Shire of Victoria Plains	1/11/2022	7/11/2022
Shire of Wagin	27/10/2022	22/12/2022
Shire of Wandering	Audit in progress	Audit in progress
Shire of Waroona	27/10/2022	21/12/2022
Shire of West Arthur	25/10/2022	28/11/2022
Shire of Westonia	1/11/2022	23/06/2023
Shire of Wickiepin	25/10/2022	Audit in progress
Shire of Williams	3/04/2023	3/04/2023
Shire of Wiluna	Audit in progress	Audit in progress
Shire of Wongan-Ballidu	26/10/2022	26/10/2022
Shire of Woodanilling	31/10/2022	14/03/2023
Shire of Wyalkatchem	24/10/2022	14/11/2022
Shire of Wyndham-East Kimberley	Audit in progress	Audit in progress
Shire of Yalgoo	Audit in progress	Audit in progress
Shire of Yilgarn	8/11/2022	Audit in progress
Shire of York	Audit in progress	Audit in progress
Town of Bassendean	31/10/2022	3/11/2022
Town of Cambridge	Audit in progress	Audit in progress
Town of Claremont	18/05/2023	Audit in progress
Town of Cottesloe	17/04/2023	Audit in progress
Town of East Fremantle	27/10/2022	21/12/2022

Entity	Date certification issued	
	Roads to Recovery Funding under the <i>National Land Transport Act 2014</i>	Local Roads and Community Infrastructure Program
Town of Mosman Park	4/11/2022	10/11/2022
Town of Port Hedland	Audit in progress	Audit in progress
Town of Victoria Park	1/05/2023	12/05/2023

Source: OAG

We issued the following certifications regarding pensioner deferments:

Entity	Date certification issued
Claims by administrative authorities – Pensioner deferments under the <i>Rates and Charges (Rebates and Deferments) Act 1992</i>	
City of Belmont	22/12/2022
City of Busselton	31/10/2022
City of Gosnells	31/01/2023
City of Joondalup	31/10/2022
City of Kalamunda	15/02/2023
City of South Perth	17/02/2023
City of Vincent	22/11/2022
Shire of Brookton	Audit in progress
Shire of Dandaragan	Audit in progress
Shire of Narrogin	2/02/2023
Shire of York	Audit in progress
Town of Cambridge	Audit in progress
Town of Mosman Park	22/12/2022

Source: OAG

We also issued the following three other certifications:

Entity certification	Date certification issued
Other certifications	
City of Bunbury – Regional Exhibition Tourist Boost	19/12/2022
City of Kalamunda – Development Contribution Area 1 – Forrestfield Light Industrial Area – Stage 1	31/01/2023
Shire of Dandaragan – Jurien Bay Civic Centre Outgoings for DBCA Tenancy	8/11/2022

Source: OAG

Appendix 7: Other opinions and certifications issued since 22 December 2022

Opinions

Entity	Opinion relates to	Opinion issued
Family Court of Western Australia	Audit report on the Statement of Financial Position at 30 June 2022	6/07/2023
Edith Cowan University	Higher Education Research Data Collection	28/06/2023
Curtin University	Higher Education Research Data Collection	29/06/2023
Murdoch University	Higher Education Research Data Collection	29/06/2023
University of Western Australia	Higher Education Research Data Collection	26/06/2023

Source: OAG

Certifications

The following certifications were for the year ended 30 June 2022. The statements prepared by management were confirmed and no adverse reports were issued.







Entity	Certification relates to	Approved projects	Opinion issued
Public Transport Authority	Statement of Receipts and Expenditure Under the National Partnership Agreement on Land Transport Infrastructure Projects	Perth to Bunbury Faster Rail Business Case Platform and Signalling Upgrade Program METRONET: Bellevue Depot Relocation METRONET: Denny Avenue Level Crossing Removal METRONET: Midland Station Project METRONET: Morley-Ellenbrook Line METRONET: Thornlie-Cockburn Link METRONET: Yanchep Rail Extension METRONET: Lakelands Business Case METRONET: Business Case Development Karel Avenue Bridge Over Rail Nicholson Road Grade Separation Lakelands Station Delivery Mandurah Station Parking Bays	02/06/2023

































Source: OAG

Appendix 8: Completion of 2020-21 local government entity audits

Outstanding 2020-21 local government entities audited since last audit results report.

Key

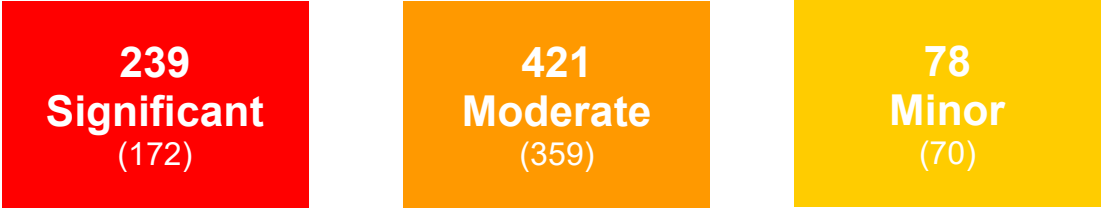
Type of audit opinion		Financial statement (FS) timeliness	
Clear		Received by the statutory deadline of 30 September 2022	
Clear opinion with emphasis of matter or matter of significance paragraph		Extension to the statutory deadline was granted and met	
Qualified or a disclaimer of opinion		Extension or statutory deadline was not met	

Entity	Type of opinion	Opinion issued	FS timeliness
City of Bayswater		02/09/2022	
City of Fremantle		05/05/2022	
Shire of Ashburton		22/12/2022	
Shire of Boyup Brook		06/09/2022	
Shire of Broomehill-Tambellup		02/08/2022	
Shire of Carnarvon		11/10/2022	
Shire of Derby-West Kimberley		10/10/2022	
Shire of Merredin		09/08/2022	
Shire of Moora		17/08/2022	
Shire of Murchison		02/08/2022	
Shire of Ravensthorpe		28/07/2022	
Shire of Toodyay		02/06/2023	
Shire of Wiluna		22/12/2022	
Shire of Woodanilling		06/07/2022	
Shire of Yalgoo		18/04/2023	
Town of Cambridge		29/03/2023	

Source: OAG

Audit results

The information below represents the updated information from that previously reported in the 2020-21 local government results report, now that the 16 outstanding local government entity audits have been completed.



Source: OAG



Source: OAG

Note: The numbers in brackets are the figures reported at August 2022.

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Auditor General's 2023-24 reports

Number	Title	Date tabled
3	Financial Audit Results – Local Government 2021-22	23 August 2023
2	Electricity Generation and Retail Corporation (Synergy)	9 August 2023
1	Requisitioning of COVID-19 Hotels	9 August 2023

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