



**ANNUAL AUDIT
COMPLETION REPORT**

SHIRE OF WICKEPIN

Real People.
Better **Business**

Introduction

From our Partner

The Shire of Wickepin for the year ending 30 June 2020.

We would like to take this opportunity to thank the management team for their assistance during the audit process. If you have any queries on the report, please feel free to contact Marcia Johnson or myself.



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EXECUTIVE SUMMARY

- ✔ Butler Settineri (Audit) Pty Ltd were appointed as the contract auditor by the Office of the Auditor General for the year ended 30 June 2020.
- ✔ We have completed the external statutory audit for the year ended 30 June 2020.
- ✔ No unresolved issues.
- ✔ Our findings are included in this report.
- ✔ We intend to recommend to the Auditor General to issue an unqualified audit opinion in relation to the financial statements.
- ✔ There are no outstanding matters.



INDEPENDENCE

We are independent of the Shire in accordance with the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.

Threats to independence include the following:

- ① SELF INTEREST THREATS
- ① SELF REVIEW THREATS
- ① ADVOCACY THREATS
- ① FAMILIARITY THREATS
- ① INTIMIDATION THREATS

What we do to remain independent:

- All team members sign an independence declaration at the commencement of the audit;
- We monitor our individual independence throughout the audit;
- All team members sign off an independence declaration at the completion of the audit.

COMPLIANCE WITH LAWS & REGULATIONS & FRAUD

Laws and Regulations applicable to the Shire include the following:

- ✔ Local Government Act 1995;
- ✔ Local Government (Financial Management) Regulations 1996;
- ✔ Local Government (Audit) Regulations 1996;
- ✔ Australian Tax Office (GST / FBT / PAYG) Compliance;
- ✔ Compliance with conditions of program funding arrangements.

During the audit process there have been:

- ✔ Non-compliance issues have been reported in the audit report where applicable and are detailed on page 9 of this document.
- ✔ No findings or indications of suspected fraud.

As far as the external audit relates to the matters noted above.

Key Audit
Matters and
Audit
Outcomes



During the planning phase of the audit, we identified the following issues and key areas of audit risk.

Details of Risk / Issue	Audit Approach
Audit findings reported in the previous audit	We followed up on last year's audit issues during the audit. All issues were resolved.
Changes to accounting standards: AASB 15 Revenue from Contracts with Customers AASB 16 Leases AASB 1058 Income of Not-for Profit Entities	We reviewed management's assessment of the impact of these accounting standards on the financial statements. The Shire has adopted the new accounting standards at the effective date 1 July 2019. The modified retrospective approach has been applied whereby comparative figures in the financial statements have not been restated.
Changes to <i>Local Government (Financial Management) Regulations</i> that have been signalled by the Department of Local Government, Sport and Cultural Industries (DLGSCI): <ul style="list-style-type: none"> • Regulation 16 deleted • Regulation 17A amended 	We assessed management's implementation of the changes to regulations and the effect on the financial report. The Shire has applied the change in regulations as a change in accounting policy at the effective date 1 July 2019. The modified retrospective approach has been applied whereby comparative figures in the financial statements have not been restated.
We have identified the following areas that we consider require additional focus during our 2019-20 local government audits: <ul style="list-style-type: none"> • Related party disclosures • Revenue recognition • Unauthorised expenditure • Unrecorded liabilities and expenses • Accounting for investments in Joint Ventures 	We reviewed the related audit evidence as part of our audit testing and confirmed that appropriate disclosures have been made in the financial statements.
The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention: <ul style="list-style-type: none"> • Provision for annual and long service leave • Impairment of assets 	We reviewed the methodology and underlying data that management used when determining critical accounting estimates. We confirmed the reasonableness of the assumptions and corroborating representations.
Important changes in management or the control environment	There were no changes in management or the control environment during the year under review.

SIGNIFICANT AUDIT FOCUS

- ▀ New AASB 15 & 1058 Revenue from Contracts with Customers and Income for Not-For-Profit Entities

Policy updated and implemented

- ▀ New AASB 16 Leases

Policy updated and implemented

- ▀ Amended Local Government (Financial Management) Regulations 1996

Policies updated and implemented in the 2019-20 year to comply with:

- *Regulation 17A – plant & equipment measured under the cost model*
- *Regulation 16 deleted as covered by AASB 16 Leases*

AUDIT MISSTATEMENTS

- There were no uncorrected misstatements.

AUDIT FINDINGS

Per the Interim Management Letter:

1. The Shire recognised funds received for the Wheatbelt South Aged Housing alliance project of \$750,000 for which no work had yet been performed, these should be recognised as a liability.
2. The Shire had not yet completed their assessment of the new accounting standards and no system had been implemented to ensure compliance with new revenue and lease standard.

Per the Final Management Letter:

1. Financial Management Review

The Local Government (Financial Management) Regulations 1996 paragraph 5(2)(c) requires the CEO to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures no less than every three financial years. We note that the last Financial Management Review took place in 2016.

2. CEO's Review of Systems and Procedures

The Local Government (Audit) Regulations 1996 paragraph 17 requires the CEO to undertake a review of the appropriateness and effectiveness of a local government's system and procedures in relation to risk management, internal control and legislative compliance, no less than every three financial years. We note that the last Review took place in 2016.

3. Asset Renewal Funding Ratio

The Council has not reported the Asset Renewal Funding Ratio for 2020 and the comparative years in the annual financial report as required by regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996. This is because the Asset Management Plan and Long Term Financial Plan is outdated.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS IN THE AUDITOR'S REPORT

In accordance with the Local Government (Audit) Regulations 1996 we report that:

- (i) In our opinion, the following material matter indicates a significant adverse trend in the financial position or the financial management practices of the Shire:
 - a. The Asset Sustainability Ratio, The Operating Surplus Ratio, and Own Source Revenue Ratio for 2019-20 are all below the DLGSCI standard and have been for the past three financial years. The financial ratios are reported at Note 28 to the financial report.

- (ii) The following material matters indicating non-compliance with Part 6 of the Local Government Act 1995, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law were identified during the course of my audit:
 - a) The Local Government (Financial Management) Regulations 1996 paragraph 5(2)(c) requires the CEO to undertake a review of the appropriateness and effectiveness of the financial management systems and procedures no less than every three financial years. We note that the last Financial Management Review took place in 2016.

 - b) The Local Government (Audit) Regulations 1996 paragraph 17 requires the CEO to undertake a review of the appropriateness and effectiveness of a local government's system and procedures in relation to risk management, internal control and legislative compliance, no less than every three financial years. We note that the last Review took place in 2016.

 - c) The Council has not reported the Asset Renewal Funding Ratio for 2020 and the comparative years in the annual financial report as required by regulation 50(1)(c) of the Local Government (Financial Management) Regulations 1996. This is because the Asset Management Plan and Long Term Financial Plan is outdated.

Key Changes for next year

Changes in regulations

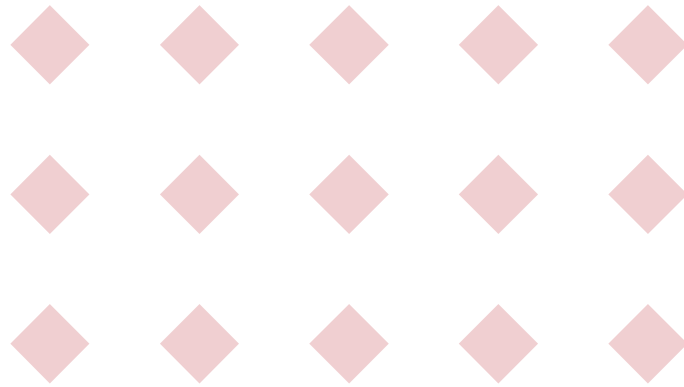
- None anticipated.

Accounting Issues for 2021

- AASB 1059 – Service Concessions Arrangements: Grantors
Management must assess the impact on the financial report for the financial year ending 30 June 2021.

THANK YOU

We would like to take this opportunity to once again thank the management team for their assistance during the audit process; in particular we would like to thank Erika Clement and the finance team for their support.





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