

CHIEF EXECUTIVE OFFICERS REPORT RELATING TO THE AUDITED FINANCIAL STATEMENTS FOR YEAR  
ENDED 30 JUNE 2022

Pursuant to the Local Government Act 1995, Section 7.12A(4)(a), the following report is presented.

1. INDEPENDENT AUDITOR'S REPORT TO THE ELECTORS OF THE SHIRE OF YILGARN

1.1 Auditor's Opinion

The report records an opinion that the financial statements for the Shire of Yilgarn for the financial year ended 30 June 2022 give a true and fair view of the Shire's financial position and comply with Australian Accounting Standards and Interpretations. The opinion makes no qualifications.

1.2 Report on other Legal and Regulatory requirements

- (i) All required information and explanations were obtained.
- (ii) All audit procedures were satisfactorily completed.
- (iii) Are in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

2. MANAGEMENT REPORT FOR THE YEAR ENDED 30 JUNE 2022

The following matters were raised during the final audit which include Managements comments:

1. **Bank signatories**

**Finding:**

We noted that 3 former employees were still listed as authorised bank signatories at 30 June 2022.

**Rating: Significant**

**Implication:**

Terminated employees may authorise banking transactions after termination of employment which increases the risk of inappropriate payments being made.

**Recommendation:**

We recommend that management promptly remove employees as authorised bank signatories upon their termination.

**Management's comments:**

*Although three employees were listed as signatories, they did not have the authority in the Shire's online banking to make payments. The authority that they had would only have allowed them to approve the addition/removal of persons from the Shire's online banking.*

*Regardless, this has been addressed by management.*

**Responsible Person:** *CEO & EMCS*

**Completion Date:** *Complete*

## 2. Long outstanding items on bank reconciliations

### Finding:

During our review of Municipal and Trust bank reconciliations, we noted several cheque payments dating back to 2019.

### Rating: Low

### Implication:

Long outstanding reconciling items past their expiry dates are reflected on bank reconciliations without any possibility of being honoured and thus affect the accuracy of the bank balance. Review of bank reconciliations represent a key control and if not performed adequately may result in errors or omissions in the accounting records going undetected.

### Recommendation:

We recommend that the identification of stale cheques and long outstanding transactions for follow up be prioritised as part of the review of monthly bank reconciliations. Where cheques have become stale, we recommend these be cancelled, reversed and re-issued with correct details when these become known.

### Management's comments:

*Significantly aged cheques will be cancelled and re-issued, with the payee being notified of the outstanding amount.*

Responsible Person: *EMCS*

Completion Date: *As soon as practicable*

## 3. Fair value of Land and Buildings

### Finding:

The Shire has not performed an assessment to determine whether its land and buildings represent fair value.

### Rating: Significant

### Implication:

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

### Recommendation:

The Shire consider implementing as part of the preparation of financial statements a formal robust process to determine whether indicators exist annually, that would trigger a requirement to perform a formal revaluation of land and building assets. Where indicators exist a robust fair value assessment should be performed capturing the requirements of AASB 13 Fair Value Movements. This process is to ensure that the Shire's land and building assets are recorded at fair value in compliance with AASB 13 Fair Value Measurement and the Regulations. This may entail obtaining relevant input from an independent valuer as to whether or not they consider there are any prevailing market factors which may indicate that the fair values of relevant assets are likely to have been impacted to any significant / material

extent from the prior year. Where a fair value assessment has been performed internally the Shire may consider having this assessment peer reviewed by an independent valuer to obtain assurance over the valuation methodology applied, inputs and the reasonableness of the valuation model applied.

**Management's comments:**

*The fair valuation of Councils Land and Buildings is not applicable to this audit, this asset class was last valued as at 30 June 2018. Council is currently implementing the process of gaining a fair value assessment as at 30 June 2023 (as required by Regulation 17A(4)(b) of the Local Government (Financial Management) Regulations 1996) which will be reported in the financial statement for 2022/2023.*

*Council maintains a robust process that triggers a formal revaluation of all relevant asset classes by way of a date driven record of previous valuations.*

**Responsible Person:** *CEO & EMCS*

**Completion Date:** *30 June 2023*

**4. Infrastructure road additions**

**Finding:**

As part of our infrastructure asset additions testing, we noted that certain plant and equipment utilized in the construction of infrastructure assets had no hourly rates recorded against them resulting in no plant and machinery cost being capitalised to the cost of the asset. This resulted in an understatement of infrastructure assets of \$111,718 in the financial report.

**Rating:** **Moderate**

**Implication:**

When plant and equipment is not assigned an appropriate hourly rate, there is a risk of understatement of infrastructure assets in the financial report.

**Recommendation:**

We recommend that plant and equipment hourly rates are correctly assigned to the assets to ensure that additions to infrastructure assets are capitalized correctly.

**Management's comments:**

*Management notes this oversight and has addressed it. There should be no misstatement going forward.*

**Responsible Person:** *EMCS*

**Completion Date:** *Initial Issue Complete*

**5. Excessive annual leave balance**

**Finding:**

**2022**

During our testing on employee leave provisions, we noted that 5 of the 52 employees had annual leave balances in excess of 8 weeks (40 days) at year end.

The Local Government Industry Award 2010 deems an employee's leave accrual to be excessive if the employee has accrued more than 8 weeks.

**2021**

During our testing on employee leave provisions, we noted that 4 of the 47 employees had annual leave balances in excess of 8 weeks (40 days) at year end.

We note that the management have processes in place to identify and monitor staff that have accrued excessive annual leave balances and have taken appropriate action.

**Rating: Moderate**

**Implication:**

Excessive annual leave balances may have adverse effects on the Shire including:

- key staff not being rotated, a preventive control against fraud;
- health and safety concerns with staff members not taking their annual leave entitlements;
- increase the Council's costs given salary rises and increments over time

**Recommendation:**

The Shire should ensure that employees take leave in a timely manner and excessive leave balances are cleared in accordance with the Shire's policy.

**Management's comments:**

*Management will liaise with the relevant staff and will request either leave is taken (preferred) or a payout is made to bring leave to within recommended limits*

**Responsible Person:** *CEO & EMCS*

**Completion Date:** *Ongoing*