



Report 3: 2023-24 | 23 August 2023

**FINANCIAL AUDIT RESULTS**

# Local Government 2021-22



## Office of the Auditor General Western Australia

### Audit team:

Grant Robinson  
Nayna Raniga  
Jeremy Bean  
Lisa Swann  
Lisa Lilley  
Financial Audit teams  
Information System audit team

National Relay Service TTY: 133 677  
(to assist people with hearing and voice impairment)

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

© 2023 Office of the Auditor General Western Australia.  
All rights reserved. This material may be reproduced in whole or in part provided the source is acknowledged.

ISSN: 2200-1913 (print)  
ISSN: 2200-1921 (online)

***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

This page is intentionally left blank



**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.

CAROLINE SPENCER  
AUDITOR GENERAL  
23 August 2023

# Contents

Auditor General's overview.....	7
2021-22 financial audits at a glance .....	8
Executive summary .....	10
Review of the 2021-22 financial year.....	10
Introduction .....	12
Recommendations.....	14
Summary of audit opinions .....	15
Ten qualified audit opinions for 2021-22.....	15
Seventeen entities received emphasis of matter paragraphs.....	17
Material uncertainty related to going concern .....	17
We issued 224 audit certifications .....	17
Reporting requirements.....	18
Review of financial reports submitted for audit .....	20
Audit differences .....	20
Best practice entities .....	22
Recommendation .....	23
Control weaknesses .....	24
Control environment.....	24
Financial and management controls.....	25
Recommendation .....	30
Information system controls.....	31
Recommendation .....	31
Financial reporting, accountability and audit matters.....	32
Valuation of assets.....	32
Recommendation .....	32
Reconciliations .....	33
Approval and support for journals.....	33
Recognition or assessment of rehabilitation provision .....	33
Prior year adjustments were again reported for several entities .....	34
Key financial transactions that required additional audit effort .....	34

Unusual items of interest .....	35
Other changes to accounting standards .....	35
Impact of emergencies .....	36
Opportunities for the DLGSC to improve support of the local government sector .....	37
Recommendation .....	38
Response from the DLGSC .....	39
Local government regulation amendments .....	40
Recommendation .....	40
Response from the DLGSC .....	40
Appendix 1: Status and timeliness of audits .....	41
Response from the Shire of Narrogin .....	47
Appendix 2: 2020-21 disclaimers of opinion .....	48
Appendix 3: 2021-22 qualified opinions .....	49
Appendix 4: Emphasis of matters paragraphs included in auditor's reports .....	52
Appendix 5: Material uncertainty related to going concern .....	54
Appendix 6: Certifications issued .....	55
Appendix 7: Other opinions and certifications issued since 22 December 2022 .....	60
Appendix 8: Completion of 2020-21 local government entity audits .....	61

This page is intentionally left blank



## 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.

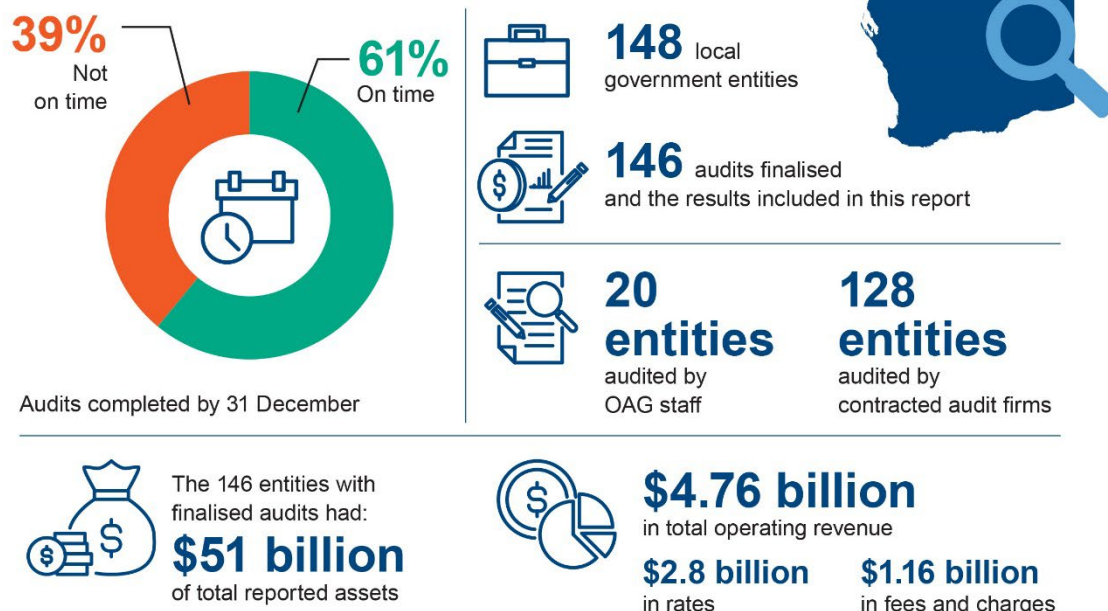
Our engagement with the sector is not all one way. We value feedback on our work and I have appreciated the opportunity to discuss, with both Local Government Professionals WA and the Western Australian Local Government Association, the outcomes of their 2022 survey of the sector. We welcome the feedback 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

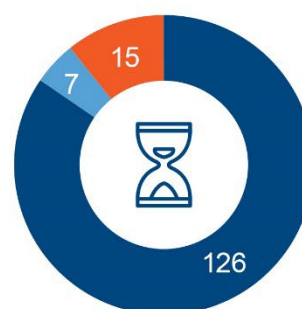


## Timeliness of financial reports

(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

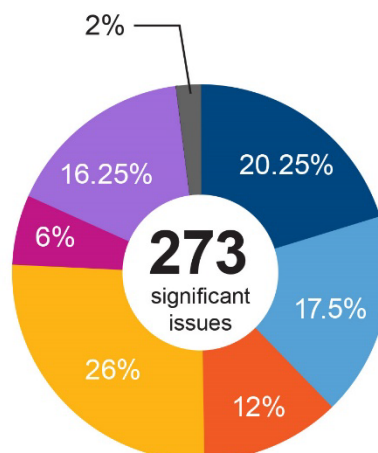


## 880 management control issues

(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.

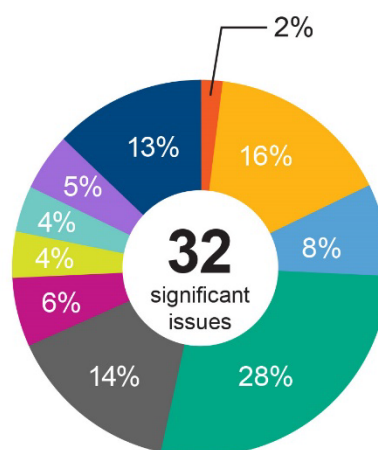
- Expenditure
- Accounting procedure
- Payroll and human resources
- Asset management
- Revenue
- Governance
- Other



## 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 report<sup>1</sup> 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.

---

<sup>1</sup> 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 report<sup>2</sup>.

---

<sup>2</sup> 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](https://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.<sup>3</sup>

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.

---

<sup>3</sup> 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*<sup>4</sup> 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.

---

<sup>4</sup> 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 17<sup>th</sup> 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
<b>Total number and value of differences</b>	<b>335</b>	<b>\$1,613,529,048</b>

Source: OAG

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

Positively, there were 55 entities<sup>5</sup> 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)<sup>6</sup>, 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

<sup>5</sup> Two entities still outstanding for 2021-22 reporting period.

<sup>6</sup> 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
<b>Total number and value of differences</b>	<b>132</b>	<b>\$50,668,884</b>

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](https://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
<b>Significant</b>	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"> <li>• likelihood of material misstatement in the financial report</li> <li>• ability to achieve objectives or comply with legislation.</li> </ul>	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.
<b>Moderate</b>	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"> <li>• misstatement in the financial report that has occurred, although not material</li> <li>• ongoing system control weakness which could or is having a moderate adverse effect of achieving objectives or legislative compliance.</li> </ul>	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.
<b>Minor</b>	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.

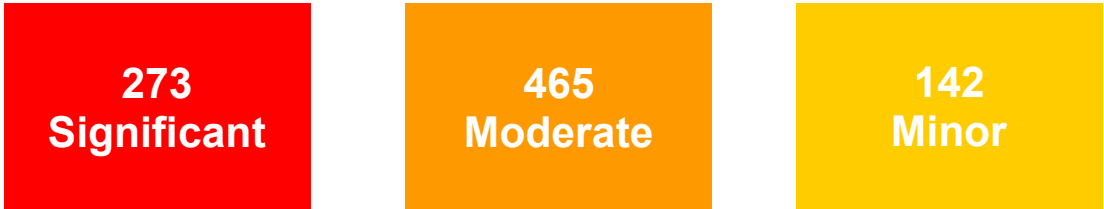
We ask that management set a timeframe to remedy control weaknesses. Most entities set themselves challenging timeframes and generally meet them. It is, however, disappointing that some entities do not remedy weaknesses in a timely manner.

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

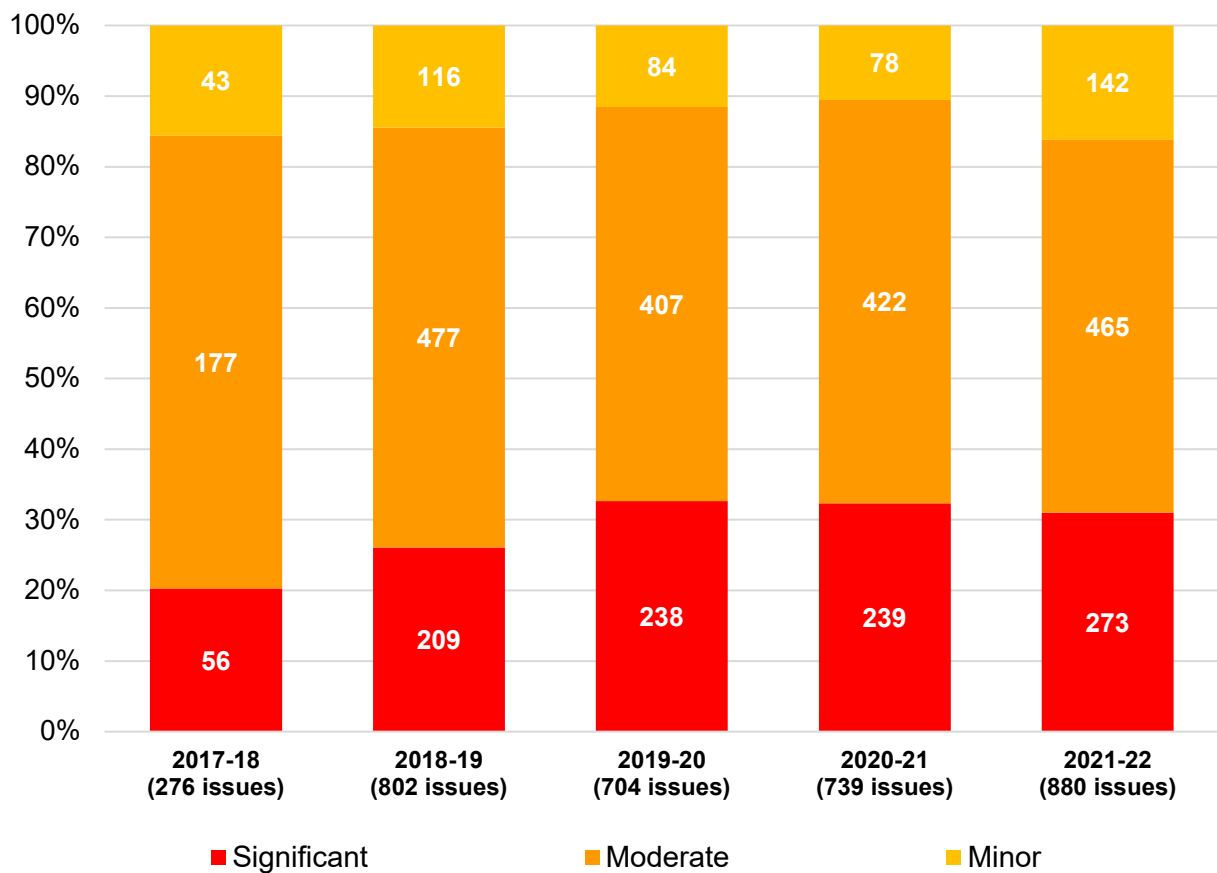
During 2021-22, we alerted 110 entities to 273 significant control weaknesses that needed their attention, an increase from 239 the previous year. We reported 880 control weaknesses in total across the three risk categories, also an increase from the total of 739 we reported in 2020-21 (Figure 2). In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

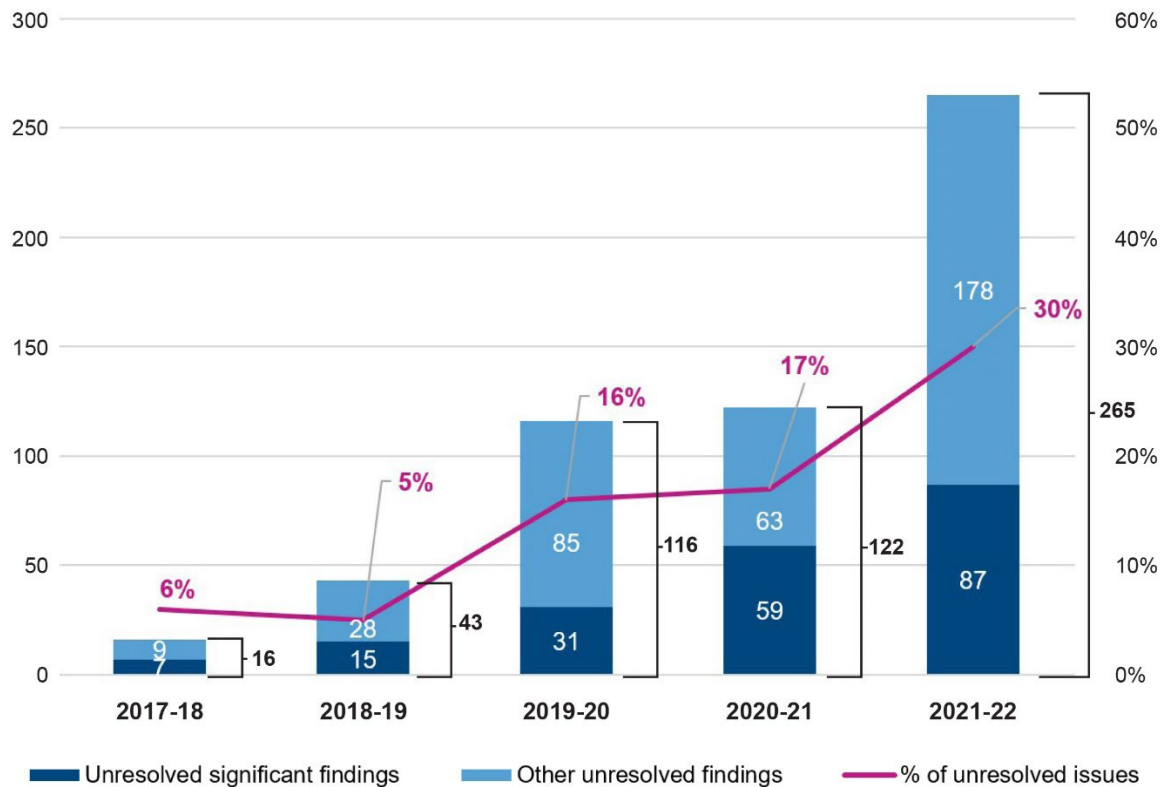


Source: OAG

*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**

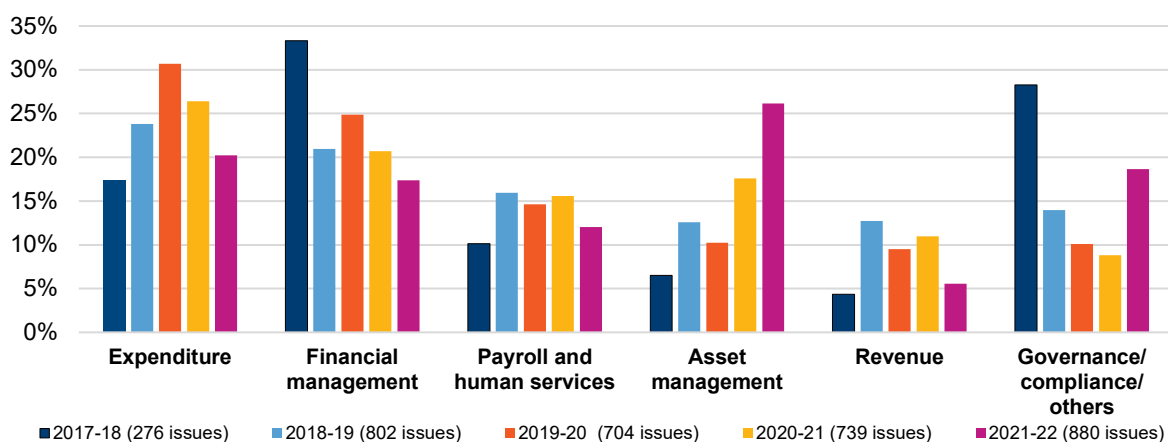
As highlighted in Figure 3, 265 control weaknesses (30%) at 63 entities were unresolved from the prior year. Disappointingly, this proportion is significantly higher than for 2020-21 (17%). In addition, the number of significant weaknesses identified that remain unresolved has also increased from the 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 entities<sup>7</sup>, 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*<sup>8</sup> to assess and enhance general computer controls within entities information system environments.

---

<sup>7</sup> The number of entities with IS findings has not changed since the *Information Systems Audit – Local Government 2021-22*, as an entity was mistakenly counted twice.

<sup>8</sup> 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><b>Shire of Toodyay – Disclaimer of opinion</b></p> <p><b>Financial report not supported with complete and accurate underlying records</b></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><b>Shire of Wiluna – Disclaimer of opinion</b></p> <p><b>Financial report not supported with complete and accurate underlying records</b></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><b>Shire of Yalgoo – Disclaimer of opinion</b></p> <p><b>Financial report not supported with complete and accurate underlying records</b></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
<b>City of Kalamunda</b>	<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>
<b>City of Mandurah</b>	<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>
<b>Shire of Boyup Brook</b>	<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>
<b>Shire of Goomalling</b>	<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.
<b>Shire of Mount Magnet</b>	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.
<b>Shire of Nannup</b>	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.
<b>Shire of Plantagenet</b>	<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>
<b>Shire of Sandstone</b>	<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>
<b>Shire of Wiluna</b>	<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>
<b>Shire of Woodanilling</b>	<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
<b>City of Joondalup</b>	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.
<b>City of Kalamunda</b>	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.
<b>City of Karratha</b>	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.
<b>City of Rockingham</b>	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.
<b>Pilbara Regional Council</b>	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.
<b>Rivers Regional Council</b>	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.
<b>Shire of Broome</b>	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.
<b>Shire of Broomehill-Tambellup</b>	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.
<b>Shire of Dalwallinu</b>	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
<b>Shire of Denmark</b>	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.
<b>Shire of Derby – West Kimberley</b>	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.
<b>Shire of Irwin</b>	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.
<b>Shire of Kent</b>	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.
<b>Shire of Koorda</b>	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.
<b>Shire of Menzies</b>	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.
<b>Shire of Merredin</b>	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.
<b>Shire of Mount Marshall</b>	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
<b>Bunbury-Harvey Regional Council</b>	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 Ngaanyatjaraku	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 Wickepin	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

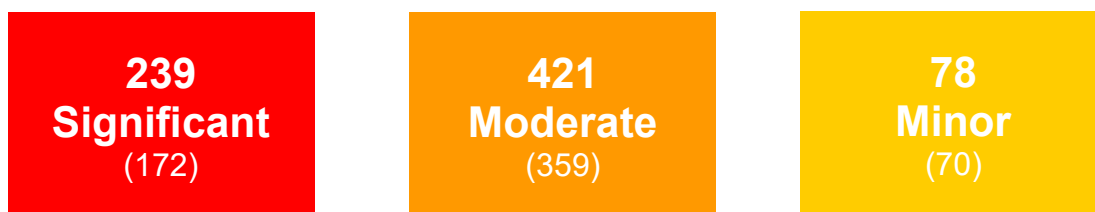
Type of audit opinion		Financial statement (FS) timeliness	
Clear		Received by the statutory deadline of 30 September 2022	
Clear opinion with emphasis of matter or matter of significance paragraph		Extension to the statutory deadline was granted and met	
Qualified or a disclaimer of opinion		Extension 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	

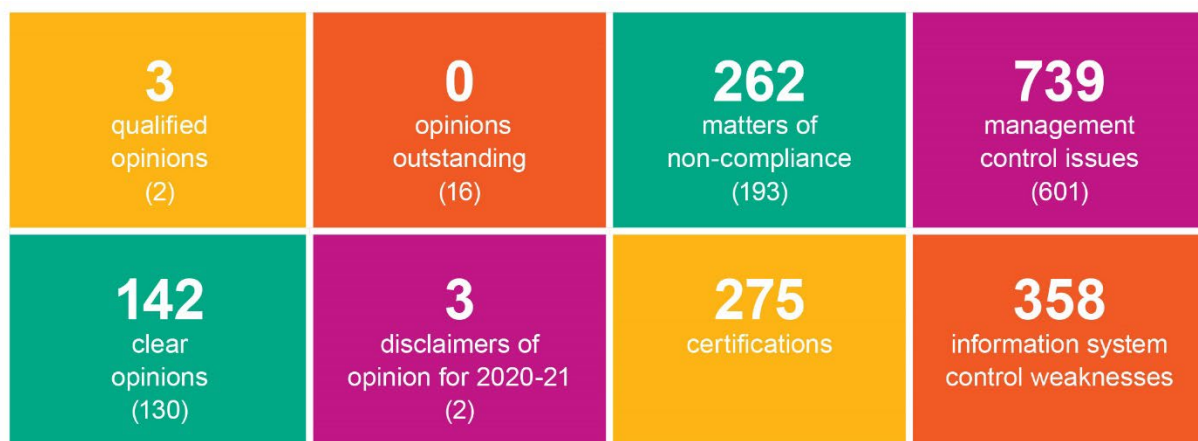
Source: OAG

## 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.*

This page is intentionally left blank

This page is intentionally left blank

## 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

**Office of the Auditor General  
for Western Australia**

7<sup>th</sup> Floor Albert Facey House  
469 Wellington Street, Perth

T: 08 6557 7500  
E: [info@audit.wa.gov.au](mailto:info@audit.wa.gov.au)

[www.audit.wa.gov.au](http://www.audit.wa.gov.au)



@OAG\_WA



Office of the Auditor General  
for Western Australia