



Shire of Jerramungup

REPORT TO THE AUDIT COMMITTEE
FOR THE YEAR ENDED 30 JUNE 2023

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1. EXECUTIVE SUMMARY

Purpose	<p>This report summarises significant audit findings and matters which have come to our attention during our audit of the financial statements of the Shire of Jerramungup for the financial year ended 30 June 2023.</p> <p>This report is provided to enable the Audit Committee to clarify outstanding issues with us and discuss key audit findings. It includes only those audit matters of governance interest that have come to our attention as a result of the performance of our audit. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. Accordingly, the audit does not usually identify all such matters.</p>
Audit status	<p>We have completed our audit for the year ended 30 June 2023 except for:</p> <ul style="list-style-type: none">▪ Receipt of signed Management Representation Letter to Lincolns and to Office of Auditor General <p>We expect to recommend to the Office of the Auditor General an unmodified audit report after these matters are completed.</p>
Audit misstatements	<p>A list of corrected and uncorrected misstatements is included in Section 5. Additionally, corrected and uncorrected misstatements in presentations and disclosures are discussed in this section.</p>
Disclaimer	<p>This report is provided solely for the benefit of the Shire of Jerramungup and is not to be copied, quoted or referred to without prior written consent. The Auditor General and Lincolns accepts no responsibility to anyone other than the parties identified in the Local Government Act for the information contained in this report.</p>

2. AUDIT SCOPE

Lincolns conducted an independent audit on behalf of the Office of the Auditor General (OAG) in order to enable the Auditor General to express an opinion to the Council on the financial report of Shire of Jerramungup for the year ended 30 June 2023. Our audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We perform procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1995 and the Local Government (Financial Management) Regulations 1996, a view which is consistent with our understanding of the Shire of Jerramungup's financial position and of its performance as represented by the results of its operations, changes in equity and cash flows.

Our audit procedures included;

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- evaluating the appropriateness of accounting policies and disclosures used, the reasonableness of accounting estimates

We considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures.

An audit is not designed to identify all matters that may be relevant to the accountable authority and management, nor to relieve management or those in charge of governance of their responsibilities. Accordingly, this report includes only those significant matters that have come to our attention as a result of performing our audit.

3. AUDIT FOCUS

We refer to our audit plan where we identified areas for potential for increased audit risk and our planned responses in the audit.

The following presents our audit findings in these areas.

Area of Risk	Audit Outcomes
Grant Funding and Other Revenue	<ul style="list-style-type: none"> • Significant grant revenue was agreed to third party documentation. • Audit included additional analysis of revenue allocation in accordance with AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not For Profit Entities. • Risk of fraud in the revenue cycle was also considered including testing of key controls and analytical review Audit procedures undertaken rebutted the risk of fraud to an acceptable level. • We also reviewed related party transactions. The financial statements adequately disclose related party transactions for Councillors and Key Management Personnel. <p>Grant Funding and Other Revenue as disclosed in the financial statements is materially correct.</p>
Rates	<p>Audit work included the following:</p> <ul style="list-style-type: none"> • Rateable values agreed to the Valuer General rates. • We checked control procedures for the transfer of rates from Valuer General to Internal Software system. • Testing of rates notices was undertaken both on a sample basis and analytically. <p>Results supported the rate revenue and financial statement disclosures.</p>
Expenses	<p>Our audit of expenses included testing of key financial controls over the recognition of expenses, vouching significant expenses and analytical reviews.</p> <p>Expenditure as disclosed in the financial statements is materially correct.</p>
Payroll/Provisions	<p>Audit sampling tested payroll records to the following:</p> <ul style="list-style-type: none"> • Employee awards • Employee contracts • Check calculation of superannuation and tax • Check authority to deduct salary sacrifice • Check the control procedures in payroll department in line with internal policies • Our audit of provisions included reviewing the reasonableness of assumptions used to calculate annual leave and long service leave • Analytical review <p>Results of audit procedures indicate employee costs are materially correct and disclosed correctly in the financial statements.</p>

Area of Risk	Audit Outcomes
Management's monitoring of the control environment	<p>We reviewed council minutes for the following:</p> <ul style="list-style-type: none"> • Process for reviewing internal control procedures including evidence of periodic review of policy manual. • Management's implementation and monitoring of new control procedures. • Management's implementation and monitoring for amending current control procedures. • Impact of COVID 19 on the control environment <p>We are satisfied that management is applying effective controls and that Council are aware of the control environment.</p>
Management Override of Controls	<p>Audit processes were undertaken to:</p> <ul style="list-style-type: none"> • Sample test and judgementally review general journals • Understand and test the adequacy and effectiveness of division of duties • Controls testing • Substantive procedures <p>Sufficient audit evidence was obtained to support the view that controls are operating effectively.</p>
Fixed Assets	<p>Council undertook revaluation process in the 2023 financial year for infrastructure assets.</p> <p>Audit Processes were undertaken to:</p> <ul style="list-style-type: none"> • Sample test additions and disposals • Check profit/loss on sale of assets • Confirm ownership and existence of assets • Recalculate Depreciation <p>Results of audit procedures indicate fixed assets are materially correct and disclosed correctly in the financial statements.</p>
Accounting Estimates	<ul style="list-style-type: none"> • We reviewed the method and underlying data that management use when determining critical accounting estimates. This included considering the reasonableness of assumptions and corroborating representations. • For infrastructure, property, plant and equipment we reviewed Management's assessment of the useful lives and existence of assets. We reviewed managements monitoring of impairment and determined that adequate processes exist. • For provisions relating to waste site rehabilitation costs and the pool asset decommissioning costs we reviewed the method and underlying data that management use when determining critical accounting estimates. This included considering the reasonableness of assumptions and corroborating representations. <p>Audit review determined that estimates are reasonable and supported by appropriate data.</p>

4. AUDIT & ACCOUNTING ISSUES

4.1 Receipt of Financial Statements

The date entities provided their annual financial report to the Office has been recorded for purposes of reporting to Parliament. The date recorded for the receipt of your financial statements was 30 September 2023. The financial statements received on this date were deemed to be audit ready.

4.2 Audit Report

The audit report will have an unqualified opinion, with an emphasis of matter relating to revaluation of infrastructure decrements.

4.3 Management Letter Findings

2023 Year End

- Reconciliation of Creditors Ledgers, Minor – Outstanding

2023 Interim

- General Computer Controls, Moderate – Resolved
- Timesheet Works Costing Posting Errors, Minor – Resolved
- Payroll Error – Calculation of Loading, Minor – Resolved

2022 Year End

- General Computer Controls, Moderate – Resolved
- Fair Value of Infrastructure Assets, Significant – Resolved
- Timesheet Review & Authorisation, Minor – Resolved

5. ACCOUNTING MISSTATEMENTS

5.1 Uncorrected Audit Misstatements

	Financial Statements Accounts Impacted	Statement of Financial Position Adjustment	Effect on Operating Surplus	Effect on Other Comprehensive Income	Comment
1.	Provisions Annual Leave Gross Wages	\$5,423 CR	 \$5,423 DR		Variance in provisions for annual leave

5.2 Corrected Audit Misstatements

	Financial Statements Accounts Impacted	Statement of Financial Position Adjustment	Effect on Operating Surplus	Effect on Other Comprehensive Income	Comment
1.	Provision Pool Decommissioning Pool Decommissioning Asset Pool Decommissioning Asset Accumulated Depreciation Interest Expense Depreciation	\$890,712 DR (\$911,962 CR) \$30,398 DR	\$21,249 DR (\$30,398 CR)		Adjustment to Initial Recognition of Pool Decommissioning Costs and amortisation and interest cost for year
2.	Provision Waste Rehab Landfill Rehab Asset Landfill Rehab Asset Accumulated Depreciation Interest Expense Depreciation	(\$137,585 CR) \$127,795 DR (\$6,024 CR)	\$9,791 DR \$6,023 DR		Adjustments to CPI and Discount rate estimate for waste rehab provision current year and adjusting current year interest expense and amortisation

6. ACTIONS / ISSUES FOR NEXT YEAR'S AUDIT

6.1 New Accounting Standards

New accounting standards will have application in future years. A brief discussion of the impact of these follows.

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current. Applies to the financial year ended 30 June 2024.

- This is not expected to impact the financial report.

-AASB 2022-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies or Definition of Accounting Estimates. Applies to the financial year ended 30 June 2024.

- This is not expected to impact the financial report.