



## SHIRE OF WAGIN

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2019

REPORT ADDRESSING AUDIT QUALIFICATION

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### The Qualified Opinion in the Shire of Wagin's 2018/2019 Independent Audit Report from the Office of Auditor General.

#### Basis for Qualified Opinion

##### Shire of Wagin

The Shire's previous auditor issued a qualified audit opinion in relation to infrastructure assets for the year ended 30 June 2018 because drainage assets had not been valued for several years. The drainage assets were valued during 2018-19 at \$3,416,594. However, in accordance with Australian Auditing Standards, we have issued a qualified opinion to alert users of the annual financial report that the balance of infrastructure assets at 30 June 2019 may not be comparable to the balance reported at 30 June 2018, because of the uncertainty over the 2018 balance.

#### Background / Comment

In accordance with section 7.12A(4) of the Local Government Act, when a Council is given a qualified audit, they must carry out the following:

- *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters*
- *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the on the local government's official website.*

The 2017/2018 Annual Financial Report was audited by Council's external auditors Butler Settineri, as per the attached Audit Report Council received an audit qualification on the following basis:

*In accordance with the Local Government (Financial Management) Regulation 1996 (as amended) Section 17A paragraphs 3 and 4, the Shire has performed a valuation of infrastructure assets to recognise the assets at fair value at 30 June 2018. However as described in note 9, the Shire has not obtained a valuation for certain drainage infrastructure assets. As a result we are not able to determine the impact on the fair value of infrastructure assets at 30 June 2018.*

This was addressed by staff in the 2018/2019 financial year as per the following:

*Management engaged valuation company AssetVal to carry out the Infrastructure Drainage Valuation in the 2018/2019 financial year. This was carried out in May 2019 at a value date of 30<sup>th</sup> June 2019.*



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*The Infrastructure Drainage Valuation Report values have been adopted in the Shire's Infrastructure balances for the 2018/2019 financial year.*

We have again received an audit qualification from Council's new auditors, The Office of Auditor General (OAG) based on the following:

*The Shire's previous auditor issued a qualified audit opinion in relation to infrastructure assets for the year ended 30 June 2018 because drainage assets had not been valued for several years. The drainage assets were valued during 2018-19 at \$3,416,594. However, in accordance with Australian Auditing Standards, we have issued a qualified opinion to alert users of the annual financial report that the balance of infrastructure assets at 30 June 2019 may not be comparable to the balance reported at 30 June 2018, because of the uncertainty over the 2018 balance.*

### Management's Comments and Actions

***There is no action required by Management or Council in relation to this matter as the Audit Qualification relates to the previous financial year's figures on a comparative basis.***

### 4256 COMMITTEE RECOMMENDATION & COUNCIL DECISION

Moved: Cr. S M Chilcott

Seconded: Cr. G R Ball

- 1 That the report addressing the Audit Qualification on the 2018/2019 Audit Report be received and endorsed by Council.
- 2 Authorises the report to be forwarded to the Minister for Local Government and be published on the Shire's website.

Carried 10/0



**Bill Atkinson**  
**Acting Chief Executive Officer**

29<sup>th</sup> April 2020