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DRY / KIRKNESS

# Annual Audit Completion Report

Accounting  
Business Advisory  
Audit Services



DRY / KIRKNESS

Shire of Cunderdin  
30 June 2023

**OAG**

Office of the Auditor General  
Serving the Public Interest

# Introduction

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## FROM OUR ENGAGEMENT PARTNER

Shire of Cunderdin for the year ended 30 June 2023

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



### **ROBERT HALL** **DIRECTOR**

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### **ANN ANG** **DIRECTOR**

OAG Representative  
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# Executive Summary

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- + Butler Settineri (Audit) Pty Ltd was appointed as the contract auditor by the Office of the Auditor General for the year ended 30 June 2023 and have changed names to Dry Kirkness (Audit) Pty Ltd on 1 July.
- + Dry Kirkness (Audit) Pty Ltd has completed the external statutory audit for the year ended 30 June 2023 as contract auditor on behalf of the Office of the Auditor General.
- + No unresolved issues.
- + Our findings are included in this report.
- + We intend to recommend to the Auditor General to issue an unqualified audit opinion in relation to the financial statements.
- + There are no outstanding matters.
- + We noted that the first draft of the financial report was provided to the auditor on 30 September 2023, certified by the CEO and was audit ready. This detail will be included in the OAG's Local Government results report to be tabled in Parliament. Audit ready means having full and complete financial statements (including disclosure notes).
- + The 2022-23 Roads to Recovery (RTR) and Local Roads and Community Infrastructure (LRCI) certifications have been completed and submitted to Dry Kirkness (Audit) Pty Ltd. The audit opinions for these certifications have been issued to the Shire by Dry Kirkness.

# Independence

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

Threats to independence include the following:

- + Self Interest Threats
- + Self Review Threats
- + Advocacy Threats
- + Familiarity Threats
- + Intimidation Threats

What we do to remain independent:

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



# Compliance With Laws & Regulations & Fraud

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Laws and Regulations applicable to the Shire include the following:

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

During the audit process, there have been:

- + Non-compliance issues are reported in the 'Audit Findings' section of the document where applicable.
- + No findings or indications of suspected fraud.

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



# Key Audit Matters and Audit Outcomes

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

Details of Risk / Issue	Audit Approach
<p>Audit findings reported in the previous audit.</p> <ul style="list-style-type: none"> <li>• CEO review of systems and procedures-Regulation 17 review</li> <li>• Fair value of infrastructure assets- Frequency of valuations</li> <li>• Purchasing authority limits</li> <li>• Excessive annual leave balances</li> <li>• Fixed assets reconciliation</li> <li>• Asset management policy</li> <li>• IT related issues</li> <li>• Updating of fixed assets register</li> <li>• Compliance with procurement policies</li> <li>• Bank signatory</li> </ul>	<p>We followed up on last year’s audit issues during the audit. Unresolved issues have been re-raised in the final management letter – see Audit Findings section.</p>
<p>Changes to Local Government (Financial Management) Regulations 1996 that have been Introduced by the Department of Local Government, Sport and Cultural Industries (DLGSCI).</p> <ul style="list-style-type: none"> <li>• New model financial statements for 2022-23 have been released by DLGSCI. The model financial statements for smaller (band 3 and 4) local governments contains more streamlined standard financial statements, reflecting the generally less complex operations of smaller local governments.</li> </ul>	<p>Upon communication of changes to the Local Government (Financial Management) Regulations 1996 by DLGSCI for 2022-23, we ensured management has used the appropriate Model Financial Statements for 2022-23 which has reduced financial reporting requirements. We are satisfied that the financial report has been disclosed appropriately.</p>
<p>We have identified the following areas that we consider require additional focus during our 2022-23 local government audits:</p> <ul style="list-style-type: none"> <li>• Revenue recognition, including contract liabilities</li> <li>• Unauthorised expenditure</li> <li>• Unrecorded liabilities and expenses</li> <li>• Fictitious employees</li> <li>• Related party disclosures</li> <li>• Joint arrangement disclosures</li> <li>• Contingent liabilities disclosures</li> <li>• Restricted reserve accounts</li> </ul>	<p>We reviewed the accounting treatment and disclosure processes during our audit and ensured the disclosures in the financial report are appropriate, and have complied with the requirements of the Australian accounting standards.</p> <p>For related party disclosures, we made enquiries to understand the process for identification of related parties, reviewed the signed related party transaction declarations from key management personnel (both current and departed), and confirmed that the disclosures made in the notes to the financial report are appropriate.</p>



	<p>We did not identify any new joint arrangements entered into during the year that required disclosures in the financial report.</p> <p>We are satisfied that there are no contingent liabilities to be disclosed in the financial report at the end of the reporting period.</p> <p>For restricted reserve accounts, we reviewed the movements within the restricted reserve accounts, and ensured that transfers out are used in accordance with the intended purpose of the respective reserve from our testing.</p>
<p>The following annual financial report items were derived from accounting estimates and received specific audit attention:</p> <ul style="list-style-type: none"> <li>• Fair value of PPE and Infrastructure <ul style="list-style-type: none"> <li>o Land and Buildings last revalued 2021/22</li> <li>o Infrastructure Other &amp; Airport assets (last revalued in 2018-19) and Infrastructure Footpaths, Bridges and Roads assets (last revalued in 2019-20)</li> </ul> </li> <li>• Impairment of assets</li> <li>• Provision for annual and long service leave</li> </ul>	<p>We reviewed the method and underlying data that management use when determining critical accounting estimates. We are satisfied the accounting estimates and assumptions used are reasonable.</p> <p>We re-raised a prior year audit finding on the fair value assessment of assets in the non-revaluation year – See ‘Audit Findings’ section of the document.</p>
<p>IT Environment &amp; Controls</p> <p>ASA 315 Identifying and Assessing the Risks of Material Misstatement is a new Australian auditing standard that impacted your Shire for the first time this year. ASA 315 requires the auditor to obtain an understanding of the IT environment and system of controls at the application level, which support the preparation of the financial report, as part of risk identification and assessment.</p>	<p>We have addressed the requirements of ASA 315. We issued our IT Checklist to the Shire and reviewed their responses to ensure the Shire's information system is relevant to the preparation of the financial report. We also identified IT controls which address significant risks of material misstatement in the IT environment such as controls over Journal Entries and tested those controls. We are satisfied that we did not identify any significant vulnerabilities at the application level that impacted on the preparation of financial report.</p>
<p>Important changes in management or the control environment.</p>	<p>None during the financial year.</p>

# Audit Misstatements

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There were no uncorrected misstatements in the financial report.

# Audit Findings

Per the Final Management Letter:

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Asset Stocktakes	No		✓		
2. Changes to Supplier Master File	No			✓	
3. Fair value of infrastructure assets - Frequency of valuations	No			✓	✓
<u>Information system</u>					
4. IT Governance, Policies and Procedures	No		✓		✓
5. Business Continuity	No		✓		
6. Change Management	No		✓		
7. Lack of Cybersecurity Training	No		✓		
8. Signed Service Level Agreement with IT Service Provider	No		✓		
9. Access Management	No		✓		

# Key Changes For Next Year

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## Changes in LG regulations

- + An update on recent changes to the Local Government Act and Regulations, as part of the Local Government Reform, is available on the DLGSCI website ([Local government reform | DLGSC](#)).

One of the changes that impact the 2023-24 financial reporting included changes to the *Local Government (Financial Management) Regulations 1996*, where Regulation 17A has been amended to require local governments to revalue their land, buildings and infrastructure assets every 5 years from the asset's last valuation date. The change removed the previous requirement for local governments to revalue their assets whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount.

## Accounting Issues for 2024

- + Changes to Local Government (Financial Management) Regulations affected after 30 June 2023 no longer require a fair value assessment of PPE and Infrastructure assets at each reporting date.
- + We are not aware of any new Australian Accounting Standards (AAS) or significant changes to existing AAS that will impact 2023-24. If we are made aware of any new updates, we will communicate them with you.

# Thank You

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





Accounting  
Business Advisory  
Audit Services

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