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AUDIT & ASSURANCE

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strength in numbers

18 December 2024

Councillors
Shire of Moora
Via Email

Dear Councillors,

30 June 2024 Audit

We are pleased to present you with our report on the audit of Shire of Moora ('the Shire') for the year ended 30 June 2024. We are responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to the responsibilities in overseeing the financial reporting process. This report includes an analysis of the audit outcomes, key audit risk areas, our conclusion, and other recommendations for your attention. We welcome any comments you may have or any additional areas in which you seek comfort or assurance from the audit process.

Yours Sincerely,

MARCIA JOHNSON CA
Director
Armada Audit & Assurance Pty Ltd

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SHIRE OF MOORA Audit Completion Summary 30 June 2024



Audit Risk Rating

Significant

A judgmental assessment of inherent risk as significant relates to those risks which require special audit consideration (in terms of the nature, timing or extent of testing) because of the nature of the risk, the likely magnitude of the potential misstatements (including the possibility that the risk may give rise to multiple misstatements) and the likelihood of the risk occurring.

High

A judgmental assessment of inherent risk as high relates to a risk that requires additional audit consideration beyond what would be required for a normal risk, but which does not rise to the level of a significant risk.

Normal

A judgmental assessment of inherent risk as normal is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring. We do not, as a matter of course, discuss normal risks with those charged with governance unless we seek their confirmation on the judgment that has been applied.

N **Any expected modifications to the audit report**
Reference: No modifications are expected to our audit report; however, an emphasis of matter paragraph is included to outline correct of two prior year errors in the current year. Refer to section 1 of our report

Y **Were significant audit adjustments required**
Yes – refer to section 2 of our report

Y **Are unadjusted differences considered immaterial**
Unadjusted audit differences considered to be immaterial refer to section 2.

Y **Account balances and transactions audited in accordance with our strategy**
Yes – Refer to section 4 of our report

Y **Audit risks and exposures appropriately addressed**
Yes – Refer to section 4 of our report

Y **Any significant audit risks requiring comment from Council and management**
Reference: Yes, assurance on completeness of the assets considering the prior year errors identified and corrected in the current year.

N **Any instances of fraud or error relating to operation noted**
Reference: None noted refer to section 7 of our report

Y **Any significant or moderate priority internal control deficiencies identified**
Reference: Refer to section 6 of our report.

N **Any material uncertainties, conditions or events identified affecting going concern noted**
Reference: None noted refer to section 7 of our report.

N **Any instance of non-compliance with laws and regulations**
Reference: None noted refer to section 7 of our report

Y **Outstanding Matters at the date of this report**
Reference – Refer to section 1 of this report

Y **Sufficient level of preparedness for audit**
Management of the Shire provided the financial statements for audit on 30 September 2024. This was certified by the Chief Executive Officer – Gavin Robins. The audit ready financial statements however were ready only on 17 December 2024.

All information required supplied in a timely manner

Y This was the case however some information relating to significant matters were only provided late in the process.

1. CONCLUSION

We have substantially completed our audit of the year ended 30 June 2024 financial statements of the Shire of Moora.

At the conclusion of the audit, we are expected recommend to the Office of the Auditor General to issue an unmodified opinion with an emphasis of matter paragraph to highlight the restatement of comparatives.

Emphasis of Matter – Restatement of Comparative balances

I draw attention to Note 30 of the financial report which states that the amounts reported in the previously issued 30 June 2023 financial report have been restated and disclosed as comparatives in this financial report. My opinion is not modified in respect of this matter.

Outstanding matters at the date of this report include:

- Receipt of signed management representation letter and
- Signed financial statements

2. ADJUSTMENTS**Adjusted misstatements**

During the audit, 13 audit adjustments were recommended which were processed by management:

Financial Year ended 30 June 2023 – Restatement of Comparatives

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Property, plant and equipment	32,799,730	33,242,177	(442,447)	Y
Depreciation	4,638,470	4,701,639	(63,169)	Y
Retained Surplus	98,334,112	98,839,728	505,616	Y
Restatement for prior period figures - adjustment to recognise a Fire Truck received as a grant from DFES in 2022.				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Capital grants, subsidies and contributions	5,683,625	5,157,216	526,409	Y
Property, plant and equipment	35,665,044	35,138,635	(526,409)	Y
Reversal of Fire Truck Contributions from DFES as this was adjusted for as a prior period error.				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Property, plant and equipment	35,138,635	35,581,082	442,447	Y
Retained surplus	96,327,041	96,769,488	442,447	Y
Adjustment to remove the DFES Fire Truck incorrectly record in FY 2024				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Property, plant and equipment	35,763,402	35,768,402	5,000	Y
Profit on asset disposals	(151,211)	(114,393)	36,818	Y
Capital grants, subsidies and contributions	(5,118,385)	(5,160,203)	(41,818)	Y
Reversal of Disposal of the DFES Fire Truck				

Financial Year ended 30 June 2024				
Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Trade and Other Payable	757,709	745,560	12,149	Y
Borrowing	311,636	323,785	(12,149)	Y
Adjustment for accrual of loan guarantee fee, moved to borrowings				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Trade and other receivables	760,530	766,608	6,078	Y
Employee costs	4,504,165	4,498,087	(6,078)	Y
Fringe Benefit Tax Receivable Adjustment				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Impairment of Investment	-	11,190	11,190	Y
Other financial assets	119,784	108,594	(11,190)	Y
Impairment of the investment in CMC due to holding company dissolving.				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Loss on asset disposals	43,784	179,608	135,824	Y
Property, plant and equipment	35,800,867	35,665,044	(135,823)	Y
Write off of assets with the fair value of individual assets below \$5,000				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Materials and contracts	2,928,922	3,403,246	474,324	Y
Other revenue	122,782	(144,674)	(21,892)	Y
Employee costs	4,498,087	4,045,655	(452,432)	Y
Reclassification of expenses incorrectly recorded as Employee costs				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Trade and other receivables	766,608	771,309	4,701	Y
Capital grants, subsidies and contributions	5,157,216	5,118,386	38,830	Y
Other liabilities	1,370,274	1,413,806	(43,531)	Y
Correct recognition of the War Memorial Grant.				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Property, plant and equipment	35,581,082	35,766,082	185,000	Y
Investment property	711,000	526,000	(185,000)	Y
Correct classification of Investment property assets				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Depreciation	5,322,501	5,325,181	2,680	Y
Property, plant and equipment	35,766,082	35,763,402	(2,680)	Y
Depreciation on building transferred from investment property to land and buildings				

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Finance costs (DR)	148,606	173,863	(25,257)	Y
Materials and contracts (CR)	3,403,246	3,377,989	25,257	Y
Loan Guarantee Fee Adjustment				

Unadjusted misstatements

Errors that were not adjusted as the impact was not considered to be material.

Financial year ended 30 June 2023

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Property, plant and equipment	33,242,177	33,427,177	185,000	N
Investment property	711,000	526,000	(185,000)	N
Management discovered that assets were incorrectly classified in the prior year and corrected the error in FY 2024. The balances for FY 2023 were therefore not corrected.				

Financial year ended 30 June 2024

Account	Original balance	Actual balance	Variance	Adjusted (Y/N)
Depreciation	5,325,181	5,387,414	62,233	N
Property, plant and equipment	35,768,402	35,722,749	(45,653)	N
Infrastructure	191,659,901	191,643,321	(16,580)	N
Correction of depreciation incorrectly calculated for Footpath and Fire Truck assets				

3. MATERIALITY

Misstatements, including omissions, are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users of the financial report. The determination of materiality is a matter of professional judgement and is affected by our perception of the financial information needs of users of the financial report. Having considered the nature of the entity, the industry and economic environment in which the entity operates and the relative volatility of alternative benchmarks, we have determined overall planning materiality based on the Shire's total expenditure for the year.

The overall materiality was not required to be reassessed during the audit. Management will represent to us in writing that all uncorrected misstatements that they are aware of have been brought to our attention.

4. AUDIT RISK AREA

This is our first year of appointment as the contract auditors on behalf of the Office of the Auditor General financial year ended 30 June 2024.

The area below are audit risk areas that we identified based on our understanding of your business, discussions with management as well as any additional risks that arose during the audit. This is not a complete list of all audit risks considered or all audit procedures performed.

Risk rating	Details of Risk / Issue	Audit Approach	Result
	Audit findings reported in the previous audit consisted of a number of significant, moderate and minor rated issues relating to financial control and information system weakness.	We followed-up on the issues reported to determine whether the matters have been resolved and if not.	Most of the prior year matters were resolved or in the process of being resolved with 3 matters re-reported in the current year.
	Information Technology Risk	We assessed whether the Shire has adequate IT controls in place to ensure that the integrity of data is protected and that access to financial areas are restricted to ensure adequate segregation of duties and follow up on control weaknesses previously reported.	Based on our review the Shire has adequate IT controls in place to ensure that the integrity of data is protected and that access to financial areas are restricted to ensure adequate segregation of duties. The Shire has implemented improvements to information systems controls identified in the prior year.
	<p>We have identified the following areas that we consider require additional focus:</p> <ul style="list-style-type: none"> + Related party disclosures + Revenue recognition including contract liabilities + Unauthorised expenditure + Unrecorded liabilities and expenses + Contingent assets and liabilities + Joint arrangements 	<p>We have review the accounting treatment and disclosure processes during our audit.</p> <p>We have checked the disclosures in the annual financial report and can confirm that they are appropriate and complies with the requirements of the applicable Australian Accounting Standards.</p>	We have performed our audit procedures on the relevant risk areas identified and concur with management's assessment of the accounting standards and the related disclosures in the financial statements.

Risk rating	Details of Risk / Issue	Audit Approach	Result
	<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> + Provision for annual and long service leave + Useful lives of assets + Impairment of assets 	<p>We reviewed the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. Including the reasonableness of assumptions and corroborating representations.</p>	<p>We have performed our audit procedures on the relevant risk areas identified and concur with management's assessment of the accounting standards and the related disclosures in the financial statements. We are satisfied that the data, methods and assumptions used are reasonable.</p>

5. QUALITATIVE ASPECTS OF ACCOUNTING PRACTISES

Financial Report Disclosures

The disclosures in the financial report are neutral, consistent, and clear. Certain financial report disclosures are particularly sensitive because of their significance to financial report users. The most sensitive disclosures affecting the financial statements were:

- Provision for long service leave
- Valuation of Non-Current Assets
- Useful lives of non-current assets
- Contingent Assets and liabilities
- Prior Period Error

We concur with the judgements utilised in formulating these disclosures.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Provision for long service leave
- Valuation of Non-Current Assets
- Useful lives of non-current assets

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

6. ASSESSMENT OF INTERNAL CONTROLS

Deficiencies in internal control

We are required to report to you any material weaknesses in the accounting and internal control systems identified during the audit.

All issues identified during the course of our fieldwork are categorised as per below:

Level 1	Significant Deficiencies	Those findings where there is potentially a significant risk to the entity should the finding not be addressed by the entity promptly. A significant rating could indicate the need for a modified audit opinion in the current year, or in a subsequent reporting period if not addressed. However even if the issue is not likely to impact the audit opinion, it should be addressed promptly.
Level 2	Moderate Deficiencies	Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.
Level 3	Minor Deficiencies.	Those findings that are not of primary concern but still warrant action being taken.

During our audit for the year ended 30 June 2024, we evaluated the effectiveness of controls on three levels – design, implementation and operating effectiveness. As part of this evaluation, we gained a detailed understanding of the policies and procedures over the following business cycles:

- Purchases & payments
- Payroll and Employee Benefits
- Bank and cash
- Revenue (Design and Implementation Only)

We are pleased to inform management and those charged with governance that, based on our observations and testing, only one significant control deficiency was identified during the interim audit period, and it has since been resolved. All other issues identified were categorised as moderate or minor, as detailed below. As a result, we were able to place reliance on certain key controls for our audit. Whilst we consider the effectiveness of management's internal controls relevant to the Shire's preparation and fair presentation of the financial report when determining the nature timing and extent of our audit our audit procedures are not designed to provide an opinion or any assurance on the effectiveness of the Shire's internal control.

MANAGEMENT LETTER POINTS – REFER TO MANAGEMENT LETTER ATTACHMENT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
INTERIM AUDIT ISSUES					
1. Rates Revenue	No	✓			
2. Acquisition of Tennis Club Assets*	Yes – emphasis of matter	✓			
3. Revenue on capital project	Yes - financial	✓			
4. Excessive Superuser Access	No	✓			
5. Supplier Masterfile Changes	No		✓		✓
6. Outdated Delegation Register	No			✓	✓
7. Excess annual leave	No			✓	✓
FINAL AUDIT ISSUES					
8. Rates Revenue	No	✓			
9. Acquisition of assets for less than market value	Yes – emphasis of matter	✓			

** This finding was resolved by management at the year by processing necessary adjustment to correct prior year errors and restating comparatives accordingly in the financial statements.*

7. OTHER REPORTING REQUIREMENTS

AREA	RESPONSE
Fraud	<p>● Our audit procedures include discussion with management and those charged with governance as to the existence of any known or suspected material fraud. There was no known or suspected material fraud from these discussions. Those charged with governance may contact the OAG Representative, Liang Wong on (08) 6557 7542 if they are aware of any known or suspected fraud.</p> <p>We are not aware of any known or suspected material fraud, nor has it been brought to our attention by management. We will obtain in writing, representations regarding the existence of fraud, policies and procedures in place to prevent and detect fraud, noting no instances of fraud of which management are aware.</p>
Errors, irregularities and illegal acts	<p>● We have noted no errors or irregularities that would cause the financial report to contain a material misstatement. As part of our normal statutory audit no apparent illegal acts have come to our attention.</p>
Compliance with laws & regulations	<p>● We are not aware of any known or suspected non-compliance with laws or regulations applicable to the Shire that may be material to the financial report. We will also receive representations from management confirming that the Shire is in compliance with all laws and regulations that impact the organisation.</p>
Appropriateness of accounting policies	<p>● We considered management's assessment of the effects of any accounting policy changes on the Shire's financial statements for the current financial year as well as their assessment of any potential effects arising from those standards applicable for the first time in subsequent financial periods.</p> <p>We consider that the accounting policies adopted in the financial statements are appropriately applied and disclosed. We noted no transactions entered into by the Shire during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognised in the financial statements in a different period than when the transaction occurred.</p>
Management consultation with other independent accountants or experts	<p>● If management consulted with other accountants about auditing and accounting matters, we are to inform Council of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.</p> <p>To our knowledge, management has consulted with an external accounting firm in relation to the preparation of the financial statements and utilised property expert valuers to support the fair value of assets acquired. This is line with normal practices and therefore we have no significant matters to report as a result of such consultation.</p>
Management representations	<p>● We have requested certain representations from management that are included in the draft management representation letter.</p>

Independence	<p>● We confirm that, as at the date of this report, the Firm and the members of the Audit Team continue to meet the independence requirements of Australian Auditing Standards and the ethical requirements of the <i>Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)</i> (the Code).</p>
Difficulties encountered in performing the audit	<p>● The audit was mostly performed as planned however the restatement of comparatives and rates error issue required additional focus and time.</p>
Related Parties	<p>● Significant matters arising during the audit in connection with the Shire's related parties include, where applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; or • Non-compliance with laws and regulations. <p>Auditor Response: We are not aware of any related party transactions that are not adequately accounted for by management.</p>