

**Shire of Moora**  
**2019/20 Audit Management Report**  
**Action List**

Matter Raised	Area of Concern	Action Taken / Proposed Action	Measurement of Success
<p><b>There is a significant adverse trend in the financial position of the Shire</b></p>	<p>The Operating Surplus Ratio has been below the industry benchmark for the past 3 years.</p>	<p>The difference between operating revenue and operating expenditure was \$1,612,556 (2018/19 - \$1,185,875). Consequently, in order to meet the standard and improve the ratio Council needs to have the following strategic conversation with the community;</p> <ul style="list-style-type: none"> <li>• Increase revenue generated from fees &amp; charges</li> <li>• Increase rates at a much higher rate than currently imposed for the next 5-10 years</li> <li>• Increase rates revenue through rating of mining infrastructure</li> <li>• Reduce levels of service on all operating activities</li> </ul> <p>Council and management will continue to explore areas to help improve the operating position of the Shire.</p>	<p>A reasonable measure of success is to see a steady improvement in the ratio over a period of time.</p>
<p><b>There is a significant adverse trend in the financial position of the Shire</b></p>	<p>The Asset Sustainability Ratio has been below the Department of Local Government, Sport and Cultural Industries' (DLGSCI) standard for the last three financial years.</p>	<p>With the COVID pandemic Council adopted a conservative approach to infrastructure renewal in the past 18 months. Council is about to embark on some significant infrastructure works which will see this ratio improve significantly in the next couple of years.</p>	<p>Ratio meets the minimum industry standard of between 0.90 – 1.10.</p>

<b>Emphasis of Matter – Basis of Accounting</b>	<p>Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), did not allow a local government to recognize some categories of land, including land under roads, as assets in the financial report</p>	<p>Land vested to the Shire shown in the 2018/19 Annual Financial Statements was removed retrospectively with the restated financial data is shown in the 2019/20 Annual Financial Statements</p>	<p>The changes in the 2019/20 Annuals Financial Statements are in line Regulation 16 of the Local Government (Financial Management) Regulations 1996</p>
<b>Revenue not recognised in accordance with new accounting standards</b>	<p>Failure to properly apply the requirements of AASB 15 and AASB 1058 resulted the following errors in the Shire’s 30 June 2020 draft financial statements:</p> <ul style="list-style-type: none"> <li>• \$360,499 overstatement in revenue and a corresponding amount of understatement in contract liabilities; and</li> <li>• \$136,278 overstatement in opening retained earnings and a corresponding amount of understatement in contract liabilities as at 1 July 2019.</li> </ul> <p>These errors were corrected during the course of the final audit. In addition, there is an increased risk that the Shire’s regular monthly financial reporting may not be accurate, which may impact financial decision making.</p>	<p>This matter raised was addressed at year end with the position being stated correctly as at 30 June 2020 in the Annual Financial Report.</p> <p>Revenue being recognised in accordance with these standards on a monthly basis for the 2020/21 financial year.</p>	<p>Continual adherence with the revenue recognition principles outlined in AASB 15 &amp; AASB 1058.</p>
<b>Fixed assets below \$5,000</b>	<p>From 1 July 2018, regulation 17A(5) of the <i>Local Government (Financial Management) Regulations 1996</i> requires assets with a fair value at the date of acquisition under \$5,000 to be excluded from the assets of a local government entity.</p> <p>RSM reviewed the Shire’s fixed asset register as at 30 June 2020 and identified seven individual assets with a cost below \$5,000 were recorded on the register.</p>	<p>A review will be undertaken for all asset classes that will include asset values, useful lives &amp; depreciation rates with any necessary adjustments to be implemented for the financial year ending 30 June 2021.</p>	<p>Adherence with Local Government (Financial Management) Regulations 17A(5).</p>
<b>Related party declarations</b>	<ul style="list-style-type: none"> <li>• Annual declaration process was not complete as one declaration remained outstanding out of the 13 required.</li> <li>• Related Party Declarations were not in a consistent format.</li> </ul>	<p>Related Party documentation will be distributed to all key management and elected members with the Annual Returns to ensure completion by 31 August each year.</p> <p>Training will be scheduled to be carried out after the completion of the election process in October 2021.</p>	<p>Compliance with Section 6 of the <i>Local Government Act 1995</i> and regulation 1996 of the <i>Local Government (Financial Management) Regulations 1996</i>.</p>

<b>Excess leave management</b>	Audit identified eight (8) instances where employees have annual leave accrued balances in excess of 300 hours each and three (3) employees with accrued long service leave balance in excess of 13 weeks.	Management will look to reduce staff excess leave levels in the next 12-24 months.  Management will also look at the option at paying out some leave entitlements.	Reduction of excess leave entitlements over a period of time.  Annual leave balances not to exceed 150 hours.  Long service leave entitlements to be taken within 24 months of falling due.
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