

SHIRE OF SERPENTINE-JARRAHDALE
PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2024
FINDINGS IDENTIFIED DURING THE FINAL AUDIT

Index of findings	Potential impact on audit opinion	Rating			Prior year finding
		Significant	Moderate	Minor	
1. Contributed assets recognition	No	✓			

Key to ratings

The Ratings in this management letter are based on the audit team's assessment of risks and concerns with respect to the probability and/or consequence of adverse outcomes if action is not taken. We give consideration to these potential adverse outcomes in the context of both quantitative impact (for example financial loss) and qualitative impact (for example inefficiency, non-compliance, poor service to the public or loss of public confidence).

Significant - 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.

Moderate - Those findings which are of sufficient concern to warrant action being taken by the entity as soon as practicable.

Minor - Those findings that are not of primary concern but still warrant action being taken.

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1. Contributed assets recognition

Finding

This year the Shire found and recognised significant amounts of previously contributed developer assets. Given the growth corridor the Shire finds itself in, this is a risk the Shire needs to appropriately manage going forward to ensure completeness and accuracy of assets reported in the financial report.

Rating: Significant

Implication

Without appropriate asset recognition processes, there is an increased risk of assets not being accurately reflected in the Shire's financial report.

As was the case this year, the amount was material and required additional disclosures within the financial report.

Recommendation

The Shire must ensure all business units are aware of asset recognition requirements and Shire policies in this regard.

Communication of this information in a timely manner is paramount to accurate financial reporting.

Specific consideration should be given to assets contributed close to and around end of financial year, to ensure they are captured correctly over the year cut off.

Management comment

The Shire covers 905 km² and has a population exceeding 37,000 residents and is one of the fastest growing local governments in Western Australia. It currently has over 69,000 infrastructure assets recorded in the Shires Enterprise Planning system (ERP) which was commissioned in 2021. Prior to this data was recorded in numerous documents in the organisation and there was no central point of truth.

Over the last three years significant improvements in procedures and practices have been implemented to receive and validate data for entry into the ERP, consolidation of asset formats and systems based on internal data requirements, surveys to update condition data and identify missing assets, and the recognition of data which had not been captured previously.

An education process has been implemented with key stakeholders to ensure that data relating to contributed assets is supplied in a timely manner especially in relation to end of year reporting. This has been automated by creating workflows through the Shires ERP for the subdivision process to ensure data transfer and verification prior to practical completion milestones.

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Furthermore, following an internal audit in 2023 the Shire has acted upon the recommendations contained within this audit including:

- *Creation of a Terms of Reference for the Asset Management Working Group*
- *Determination of Roles and Responsibilities within the Shire for asset management processes.*
- *Review and adoption by Council of the Asset Management Policy and Strategy*
- *Restructuring of the Asset Management team to include an Asset Management Coordinator and an Asset Technical Officer to improve data management within the ERP and GIS systems.*

Responsible person: Hayley Ross, Manager Finance

Completion date: 10 December 2024