



Shire of Derby / West Kimberley

OUR REF: 4105

DATE: 18 January 2024

Tim Fraser
Executive Director Local Government

Via email: annual.report@dlgsc.wa.gov.au

Dear Tim

Actions to Address Significant Matters – 2022/2023 Audit

Please find attached Council's Actions to address the significant matters reported by the Office of the Auditor General in the 2022/23 Audit, as required by Section 7.12A(3) of the Local Government Act.

Should you require additional information, please do not hesitate to contact our Manager Corporate Services, Mr Bob Hoogland.

Yours sincerely

Tamara Clarkson
Deputy Chief Executive Officer

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Actions to Address Matters Identified as Significant from the Audit – 2022/2023

Issue Identified	Audit Recommendation	Shire Comment	Action to be Undertaken	Time Frame	Progress at 18 January 2023
Impairment Assessment of Roads	The Shire should conduct impairment assessments in a timely manner and bring to account any necessary adjustments to the carrying value of assets to minimise the risk of material misstatement in its financial statements.	In a year where no valuation was undertaken then yes, recognition of impairment of roads would be required due to flood damage. However, in 2022/23 a full re-valuation of road infrastructure assets was undertaken and management does not agree that impairment recognition was required or appropriate in these circumstances	Review assets for impairment at end of financial year	30 June 2024	Not applicable
Revenue Recognition (AASB 15 and AASB1058)	The Shire should review its interpretation and application of AASB 15 and AASB 1058 for grant revenue and amend its accounting treatment accordingly.	Due to reduced staff resources, the treatment of grant funds received was undertaken at end of financial year. We now have the resources to understand and address the treatment of grant funding as it is received during the financial year	Prepare grant register identifying accounting treatment for funds received	30 June 2024	Grant register established and implemented, accounting treatment action commenced
Rehabilitation Provision Assessment	The Shire should assess the assumptions used in its valuation model to ensure cost and scope of its obligation to rehabilitate and remediate	In 2023/2024, we will investigate the need for, and the cost of, the revision of waste management plans for inclusion in the 2024/2025 budget	Investigate revision of waste management plans	30 June 2024	Requested technical services investigate the revision of waste management plans



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	landfill sites have not significantly changed annually to comply with AASB 137.59. Where there have been significant changes to the cost and scope identified, an updated external waste management plan and projected cost estimates should be obtained.				
Fixed Asset Management Policy	The Shire should develop, document and implement policies and procedures for fixed asset management	The draft policy that was proposed and provided to RSM has been incorporated into the existing Council Policy F3 Significant Accounting Policies. This will be reviewed by Council in the policy review in early 2024. Further a full review of depreciation rates and our approach to depreciation will be undertaken.	Adoption of amended Policy F3 Significant Accounting Policies; Review of depreciation processes and rates	30 June 2024	Amended Policy and agenda ready for February 2024 Ordinary Council Meeting
Fixed Asset Capitalisation Policy	The Shire should develop, document and implement a formal asset capitalisation policy to help control, record and depreciate assets with extended useful lives	The draft policy that was proposed and provided to RSM has been incorporated into the existing Council Policy F3 Significant Accounting Policies. This will be reviewed by Council in the policy review in early 2024. Further a full review of depreciation rates and our	Adoption of amended Policy F3 Significant Accounting Policies; Review of depreciation processes and rates	30 June 2024	Amended Policy and agenda ready for February 2024 Ordinary Council Meeting



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		approach to depreciation will be undertaken.			
Review of Infrastructure Revaluation and Inputs	The Shire adopt a process of reviewing valuation outcomes involving an understanding of underlying assumptions, examination of large movements, along with challenging the valuer's assessment as appropriate. Adoption of the valuation should only occur once management has gathered sufficient evidence to validate the recommended valuation with evidence of review and sign-off maintained	Management agrees that reasonableness checks will occur with infrastructure valuations in future	Review and sign off of any asset revaluations	As required following any asset revaluations	No revaluations, to date