



Report on Significant Findings 2023/24 Final Audit

1. Unapproved Change in Accounting Policy – Depreciation rate

Finding - Significant

During substantive analytical procedures, AMD testing identified that the Infrastructure – Roads (Unsealed) asset group depreciation rate was inappropriately adjusted during the year, resulting in an approximate 8% increase to 15% in 2024, with no fundamental basis nor Council approval supporting the change. This resulted in an overstatement of depreciation and understatement of infrastructure balances of \$1,386k, which was subsequently adjusted by the Shire.

Recommendation

AMD recommend that the Shire implement internal controls for the management and approval of depreciation rates. This may include formal policies and procedures, including an approval process. Additionally, all changes to depreciation rates should be appropriately documented, reviewed and approved to ensure compliance with the Shire's accounting policies.

Management comment

The Shire of Corrigin accepts the finding and will implement better internal controls for the management and approval of depreciations rates for 2024/25 financial year.

Previously established process was not followed and changes to depreciation rates that differed from the Significant Accounting Policy were not approved by management before changes were made.

2. Land for resale revalued at 30 June 2024

Finding - Significant

During AMD review of the financial statements provided at the commencement of the audit, it noted that land held for sale had been inappropriately revalued during the current year. *AASB 102 Inventories* specifies the requirement that land held for resale is to be measured at the lower of cost and market or net realisable value. This resulted in the overstatement of land held for sale and change in asset revaluation surplus by \$495k, which was subsequently adjusted by the Shire.

Recommendation

AMD recommend that management ensure all properties held for re-sale are assessed in accordance with *AASB 102 Inventories* annually. Additionally, management should prepare a position paper that supports their assessment of the fair value of these properties. This position paper should be thoroughly reviewed to ensure accuracy and completeness.

Management Comment

The Shire of Corrigin accepts that land held for resale was inappropriately revalued during the 2023/24 and a correction was made to rectify the calculations in accordance with *AASB 102 Inventories* along with working papers.

Management will ensure that all land held for sale is assessed in accordance with *AASB 102 Inventories* annually and prepare a position paper with supporting calculations to ensure accuracy and completeness.