

Shire of Coolgardie

2023/24 Auditors Report

Matter Raised	Rating	Area of Concern	Action Taken / Proposed Action	Measurement of Success
Material uncertainty relating to Going concern	Significant	The Shire incurred a net loss of \$4,617,984 for the year ended 30 June 2024. As at that date, the Shire's current liabilities exceeded its current assets by \$14,210,643 and its unrestricted cash balance was (\$934,061).	<p>Management plans to deal with the adverse effects of uncertainty relating to going concerns in ways listed below.</p> <p>Restructuring of the loans: All existing loans are renegotiated to interest only payments for a period of 3-5 years</p> <p>Look at possibility of selling the Bluebush Village, which if was to occur, then the funds from the sale would be used to pay off the majority of the Shire's loans.</p> <p>Contract Management: Full assessment of outsourced activities has been conducted and only the minimal contractors are being used to further ensure that services are delivered efficiently, and best value is being</p> <p>Expenditures reviewed: Major projects are cancelled or reduced.</p> <p>Reviewing Revenue Management: Including General Rates, Fees & Charges, Other Revenue</p>	<p>There has been a very slight improvement with some of the measures undertaken like restructuring of loans which has assisted in increasing our unrestricted cash, however that has been used to pay our Creditors.</p> <p>The best way is to regularly review our financial performance against our budgets take corrective actions as needed.</p>

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Inappropriate use of restricted funds	Significant	<p>At 30 June 2024, the total balance of cash and cash equivalents of the Shire was \$1,521,748. Of this amount, \$2,455,829 related to restricted funds indicating a negative unrestricted cash balance of \$934,081.</p> <p>The overdrawn unrestricted cash balance reflects the Shire's use of restricted funds (relating to unspent grant monies, infrastructure assets and bank loans, rather than legislatively restricted reserve funds) for its operational activities due to cash shortfalls in the general municipal funds during the year.</p>	<p>Managements proposed action is to develop a Comprehensive Financial Plan.</p> <p>A detailed financial plan will address the Shire's operational needs without relying on restricted funds. This plan can include realistic revenue projections, expense management strategies, and contingency plans for unforeseen financial challenges</p>	Restricted funds used solely for their intended purpose in accordance with Local Government Act 1995.
Revenue from Airport Operation without a formal agreement	Significant	<p>No signed agreement between the Shire and CASAIR formalising the revenue arrangement.</p> <p>Prior to the year end, CASAIR filed a writ against the Shire and as at the date of this report, the Shire has entered into a Deed of Settlement and Release with CASAIR, requiring the Shire to pay \$214,203 for compensation relating to head tax payments made on behalf of CASAIR to the Shire, for private charter flights into Kambalda Aerodrome and the use of the Shire facilities at that aerodrome.</p>	<p>All major revenue streams are being reviewed and formalised agreements are being put in place to ensure transparency and completeness.</p>	All arrangements must be appropriately formalised.

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Recruitment of Project Officer from overseas	Significant	The Senior Project Officer was employed by the Shire from 23 October 2023 to 19 April 2024, with a second contract offered from 3 April to 2 October 2024. Initially working onsite, the staff member later transitioned to remote work from their home country, Montserrat. The recruitment was conducted directly by the ex-CEO, bypassing the Shire's recruitment and selection policy. The employment contract specified duties were to be performed from home or the Kambalda offic, yet no clarification was provided on how the role was to be effectively carried out from an international location. It was also noted that the staff member was simultaneously employed by the Government of Montserrat, a fact listed on their resume but reportedly unknown to Shire management. Furthermore, the staff member held a Working Holiday (subclass 417) visa, which restricts employment with one employer to six months without written approval, suggesting a breach of visa conditions.	Management has taken steps to recruit employees in accordance with Shire's policy performing detailed background checks before finalising the recruiting process.	Recruitment of all staff in accordance with Shire Policy.
Allegations of unfair dismissal of employees	Significant	Employees filed claims against the Shire for termination without cause. These claims were settled out of court for \$150,000. A review on one of the deed of settlements and documentation from the legal service provider, indicates that the root cause for the termination was a telephone conversation between a senior executive and the employee, where the	Management proposes to undertake appropriate training and education across the organisation to improve the cultural issues and institute processes that empower employees to report inappropriate behaviour by senior management.	Improvements in the culture of the Shire and the number of complaints made in any given year.

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		employee alleged that the senior executive appeared to be manipulating the tendering process for Shire projects in favour of certain tenderers.		
Loan not utilised for intended purposes	Significant	<p>Invoices totalling \$965,151 were due to Modular Pty Ltd for the construction of three modular houses at Goodenia Court. These invoices were issued at various stages of the construction process and were payable within 10 working days from their respective issue dates.</p> <p>It was noted that a loan of \$1,000,000 from CBA obtained in FY23 for this purpose was fully drawn down and yet the vendor invoices were still outstanding indicating that the loan was not utilised for the purpose for which it was obtained for.</p> <p>Further noted that the Shire did not carry out any tender process for this purchase as per the Shire's purchase policy (which applies for purchases exceeding \$250,000).</p>	<p>Management is taking steps to ensure procurement is done in accordance with Shire's policy.</p>	<p>Loans are utilised for the purposes they are approved for.</p>
Incorrect accounting treatment for Capital Grant Revenue	Moderate	<p>No proper revenue assessment on all funding arrangement as required by accounting standards AASB 15 <i>Revenue from contracts with customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i>. Management recorded all funding arrangement as revenue at the time of receipt, without evaluating it under the appropriate standards. This resulted in an overstatement of capital grants revenue by \$0.6 million, which has since been adjusted by management.</p>	<p>Management plans that a grant register will be maintained, and the following will be implemented</p> <ul style="list-style-type: none"> - Document the assessment of how Shire will recognize the revenue from Grants and contributions under ASSB and complete a detailed revenue recognitions assessment of revenue streams - Perform reconciliations of contract/liability balances at each month's end. 	<p>Compliance with AASB 15 <i>Revenue from contracts with customers</i> and AASB 1058 <i>Income of Not-for-Profit Entities</i>.</p>

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Commercial Agreement lacking clarity	Moderate	<p>The rental agreement with Vestone Capital Pty Ltd in 2023 to fund the construction of 100 rooms and two laundry facilities at the Shire's Bluebush village facility, involves a payment of \$4,307,919 (excluding GST) over three years, followed by a payment of "fair market value" at the end of the lease period. The agreement is recorded as a finance lease within the books. It is normal for the ownership of the asset to pass to the Shire after the end of the finance lease.</p> <p>A review of the agreement noted that while other terms of the financing agreement appeared reasonable, the clause relating to the payment of a "fair market value" at the end of the agreement exposes the Shire to significant financial risk. While it was noted correspondence between the Shire's representative (Uniqco) and Vestone suggesting the Shire's expectation of a peppercorn value at the end of the term, no documentation was provided for our audit</p>	<p>Management had indeed emailed the Auditors on correspondence from Vestone confirming the transfer of ownership for \$1 at the end of the lease. Management is ensuring all agreements are executed validly and ensuring no financial risk in case of any disputes.</p>	Ensuring that all signed agreements reflect the intended outcome.
Incorrect Depreciation Charge	Moderate	<p>The Shire did not consider the information relevant to depreciation of assets as provided by independent external valuer in their 2023 valuation report.</p> <p>Specifically, subclasses of infrastructure assets were grouped together and subjected to a uniform depreciation rate, without considering the individual useful life of each asset which was available from the valuation. This resulted in an over-depreciation of \$0.7 million for 2023-24.</p>	<p>Management has subsequently corrected the error and adjusted the remaining used life of the assets in the Fixed Assets register.</p>	Depreciation to be reviewed and documented at least once annually.

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Discounts for room rate without authorisation	Moderate	The rates for the Bluebush Village accommodation were discounted from the rates included in the signed agreements with Karora Resources and Goldfields St Ives. This variation was negotiated via email rather than through a formal variation agreement. Further, the email correspondence was not conducted with the authorised signatories from those companies.	Management has taken steps to ensure variations are reported to the Shire as per policy and all agreements with companies are reviewed and steps taken to be corrected.	All agreements must be formalised.
Accounting entries without the supporting documents	Moderate	Two debtors related to grants, amounting to \$585k, were invoiced without any supporting documentation. Upon inquiry, we were advised that these should not have been raised as debtors.	Management has subsequently reversed the invoices and ensure that staff are required to attach sufficient evidence to all entries.	Sufficient documentation obtained before transactions are recorded.
Portable and attractive assets register not maintained	Minor	No formal policy in place to record and monitor portable and attractive assets valued under \$5,000. Furthermore, it was noted that the Shire does not have a policy in place to dispose and record the disposals of these assets.	Management has recommended a draft policy to be implemented in the new financial year. Under the Local Government (Financial Management) Regulations 1996 - Reg 17B, "A local government must take all reasonable steps to prevent the theft or loss of a non-consumable asset that is susceptible to theft or loss due to its portable nature and attractiveness for personal use or resale	Adoption of an Attractive Assets Policy.