

SHIRE OF COOLGARDIE**PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025****FINDINGS IDENTIFIED DURING THE FINAL AUDIT**

INDEX OF FINDINGS	Potential impact on audit opinion	RATING			Prior year finding
		Significant	Moderate	Minor	
1. Going concern indicators			✓		✓
2. Landgate not engaged for valuations on a timely basis			✓		
3. Noncompliance with joint arrangement with Housing Authority			✓		
4. Rates outstanding from a religious group				✓	

SHIRE OF COOLGARDIE

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

FINDINGS IDENTIFIED DURING THE FINAL AUDIT

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 consider 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.

SHIRE OF COOLGARDIE

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

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1. Going concern indicators

Finding

As disclosed in the financial statements, the Shire incurred a net operating loss of \$4,393,657 for the year ended 30 June 2025 (30 June 2024: \$7,228,287). In addition, as at 30 June 2025, the Shire's current liabilities exceeded its current assets by \$5,103,327 (30 June 2024: \$16,820,946).

Despite the above factors, management have prepared the Shire's financial report on a going concern basis having considered the Shire's cashflow forecasts supported by various operational and strategic measures under its Financial Recovery Plan. From our audit procedures, we concur with management's conclusions and adequacy of relevant disclosures that have been included in the financial report.

While the Shire's financial position has improved compared to 2023-24 due to various measures implemented by management during the year, including those still in progress under the Shire's Financial Recovery Plan, continued focus is still required to ensure the Shire returns to positive metrics, especially on key liquidity measures such as the working capital position (which is a key measure of the Shire's ability to settle its debts as and when they fall due).

Rating: Moderate (2024: Significant)

Implication

Continued operating loss and negative working capital positions may have a potential impact on the Shire's ability to meet its financial obligations as and when they fall due and consequential impact on the Shire's capacity to deliver its services to the community.

Recommendation

While we acknowledge the significant progress already undertaken by the Shire in addressing its financial position especially when compared to 2023-24, we recommend continued focus in this area including:

- robust cashflow management (including cashflow forecast and monitoring); and
- regular review of its financial performance against budgets and forecasts taking corrective actions as needed
- monitoring of its progress against its Financial Recovery Plan.

Management comment

Management acknowledges the going concern commentary and confirms that the Shire is continually reviewing all facets of its operations to improve cash flow and strengthen its capacity to maintain and enhance community services. Early indicators for the 2025/26 financial year demonstrate further improvement in the Shire's financial position, while the ongoing implementation of the Financial Recovery Plan will ensure that the Shire's financial capacity is accurately measured and monitored.

Responsible Person: Aaron Cook, Chief Executive Officer

Completion Date: Ongoing

SHIRE OF COOLGARDIE

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

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2. Landgate not engaged for valuations on a timely basis

Finding

During our audit we noted that the Shire signed lease contracts with Rangecon and Focus Minerals and commenced rating the relevant properties from November 2022 (i.e. during FY 2022-23). However, the Shire did not engage Landgate to undertake the valuations until October 2024 (i.e. FY 2024-25). We understand that the engagement with Landgate was delayed due to the Rates Officer not being advised of the signed lease agreements with Rangecon and Focus Minerals and hence could not initiate the valuation.

We acknowledge that the rates for the prior year have since been backdated and charged in FY 2024/25 and there has been no overall loss in revenue.

Rating: Moderate

Implication

Failure to engage Landgate in a timely manner may prevent the Shire from accurately levying rates in accordance with lease agreements resulting in financial loss to the Shire.

Recommendation

We recommend that the Shire implement appropriate processes that facilitates timely communication of new lease agreements to Shire's Rates Officers. This will enable the Rates officers to engage with Landgate in a timely manner enabling appropriate rates to be raised and revenue to be earned in the respective financial year.

Management comment

Management acknowledges the timing delays in obtaining the valuations from Landgate and will review current procedures to improve communication and oversight. Enhanced communication processes will be implemented to ensure that responsible officers are informed in a timely manner of all relevant contractual obligations, enabling valuations and related actions to be initiated as early as practicable.

Responsible Person: Aaron Cook, Chief Executive Officer

Completion Date: 30 June 2026

SHIRE OF COOLGARDIE

PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

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3. Non-Compliance with a joint arrangement with the Housing Authority

Finding

The Shire of Coolgardie has a joint arrangement with the Housing Authority to provide aged housing accommodation in Kambalda. Under this arrangement, the Shire is required to set aside an amount equivalent to 1% of the current replacement cost of the properties from annual rental income for long-term maintenance. We noted that:

- no transfer to reserves were made during the year, which deviates from the terms of the agreement;
- high level review of the aged accommodation reserve indicates that accumulated reserve should be approximately \$128k (based on 1% of the latest gross replacement cost of \$801k over a period of 16 years since the property was acquired) as compared to the current reserve balance of just \$32.5k.

Rating: Moderate

Implication

Non-Compliance Risk: Failure to consistently transfer the required amount to the reserve could result in a breach of the joint arrangement terms which may result in financial loss to the Shire.

Recommendation

We recommend that the Shire implements processes to ensure annual transfers to the Aged Accommodation Reserve are made in accordance with the joint arrangement agreement and that sufficient reserves are maintained for the aged accommodation.

Management comment

Noted, and management have identified improving the Shire's cash backed reserves as one of the priorities in the next 12-24 months.

Responsible Person: Aaron Cook, Chief Executive Officer

Completion Date: 30 June 2026

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PERIOD OF AUDIT: YEAR ENDED 30 JUNE 2025

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4. Outstanding rates from a religious group

Finding

During the audit we noted that as at 30 June 2025, the Kurrawang Aboriginal Christian Community owed the Shire \$69,414 in outstanding rates which have been due for more than two years.

Management have not followed up the collection of this past due debt on the basis that the property is used for mixed purpose and the rates levied may not be appropriate. We are however not aware of any proactive action taken either by the Shire to clarify this matter or any objections raised by the rate payer.

We are not aware of any other outstanding debtors with similar issue or circumstance.

Rating: Minor

Implication

Failure to follow up and collect debts on a timely basis will result in a financial loss to the Shire. Further, incorrect rates levied may result in a material misstatement to the financial statements on a cumulative basis if they are unresolved on a timely basis.

Recommendation

We recommend that the Shire periodically review outstanding debtor balances, particularly those overdue by more than one year, to assess their recoverability and ensure that rates are applied in accordance with the Local Government Act.

Management comment

The Shire acknowledges the comments raised regarding debt collection. Management notes that there remains considerable uncertainty surrounding this particular assessment, specifically in relation to whether Kurrawang qualifies as a charitable organisation for rating purposes and whether any portion of the land is being utilised for commercial activities. While management agrees that further work is required to resolve these matters, it is also noted that the outstanding balance is relatively low, and accordingly management questions whether the issue is material in the context of the Shire's overall financial position.

Responsible Person: Aaron Cook, Chief Executive Officer

Completion Date: 30 June 2026