

SPECIAL COUNCIL MEETING 21 DECEMBER 2021

REPORT 1: 2020/21 Financial Statements

Alternate Officer Recommendation

That Council:

- 1. Receive the Auditor's Report as detailed in Attachment 1.2.**
- 2. Receive the Annual Financial Statements 2020/21 as detailed in Attachment 1.1 (inserting the Auditor's Report from page 67 as detailed in Attachment 1.2).**
- 3. Accept the Management Response that addresses the matters identified as significant by the Auditor in the Auditor's Report as detailed in the comment section of the report.**
- 4. Receives the Auditors management report as detailed in Confidential Attachment 1.3.**

Comment: *Recommendation point 1 and 4 have been added from the officer recommendation included in the agenda. The Auditor's report and management report have been received by the City and require Council's acknowledgment of receipt of these reports as part of this resolution.*



Auditor General

INDEPENDENT AUDITOR'S REPORT 2021

City of Mandurah

To the Councillors of the City of Mandurah

Report on the audit of the annual financial report

Opinion

I have audited the financial report of the City of Mandurah (City) which comprises:

- the Statement of Financial Position at 30 June 2021, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended
- Notes comprising a summary of significant accounting policies and other explanatory information
- the Statement by the Chief Executive Officer.

In my opinion the financial report of the City of Mandurah:

- is based on proper accounts and records
- fairly represents, in all material respects, the results of the operations of the City for the year ended 30 June 2021 and its financial position at the end of that period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the Auditor's responsibilities section below. I am independent of the City in accordance with the *Auditor General Act 2006* and the relevant ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report. I have also fulfilled my other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Executive Officer and Council for the financial report

The Chief Executive Officer (CEO) of the City is responsible for the preparation and fair presentation of the financial report in accordance with the requirements of the Act, the Regulations and Australian Accounting Standards. The CEO is also responsible for managing internal control (as required by the CEO) to ensure the financial report is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the City's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the State Government has made decisions affecting the continued existence of the City.

The Council is responsible for overseeing the City's financial reporting process.

Auditor's responsibility for the audit of the financial report

As required by the *Auditor General Act 2006*, my responsibility is to express an opinion on the financial report. The objectives of my audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

A further description of my responsibilities for the audit of the financial report is located on the Auditing and Assurance Standards Board website. This description forms part of my auditor's report and can be found at https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

Report on other legal and regulatory requirements

In accordance with the Local Government (Audit) Regulations 1996 I report that:

- (i) In my opinion, the following material matters indicate a significant adverse trend in the financial position of the City:
 - a) The Operating Surplus Ratio as reported in Note 35 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
 - b) The Asset Sustainability Ratio as reported in Note 35 of the annual financial report is below the Department of Local Government, Sport and Cultural Industries' standard for the last three financial years.
- (ii) The following material matter(s) indicating non-compliance with Part 6 of the Act, the Regulations or applicable financial controls of any other relevant written law were identified during the course of my audit:
 - a) There were weaknesses in the City of Mandurah's procurement controls which were identified by the City's internal auditors. For some of the purchases sampled, there was insufficient evidence that a sufficient number of quotations were obtained to test the market. In addition, there was one instance where the City purchased services in excess of its tender threshold without a public tender process. These practices increase the likelihood of not receiving value for money in procurement or favouritism of suppliers.
- (iii) All required information and explanations were obtained by me.
- (iv) All audit procedures were satisfactorily completed.
- (v) In my opinion, the Asset Consumption Ratio and the Asset Renewal Funding Ratio included in the financial report were supported by verifiable information and reasonable assumptions.

Other matter

The financial ratios for 2019 and 2020 in Note 35 of the financial report were audited by another auditor when performing their audit of the City for the years ending 30 June 2019 and 30 June 2020. The auditor expressed an unmodified opinion on the financial report for those years.

Other information

The other information is the information in the entity's annual report for the year ended 30 June 2021, but not the financial report and my auditor's report. The CEO is responsible for the preparation and the Council for overseeing the other information.

My opinion does not cover the other information and, accordingly, I do not express any form of assurance conclusion thereon.

Matters relating to the electronic publication of the audited financial report

This auditor's report relates to the financial report of the City of Mandurah for the year ended 30 June 2021 included on the City's website. The City's management is responsible for the integrity of the City's website. This audit does not provide assurance on the integrity of the City's website. The auditor's report refers only to the financial report described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.



Caroline Spencer
Auditor General for Western Australia
Perth, Western Australia
17 December 2021