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| Presented to | Ordinary Meeting of the Council 14 December 2021 |
| Related to Item | C21/6188 – City of Melville Annual Financial Report 2020-2021 |
| Submitted by | Alan Ferris – Director Corporate Services |
| Attachments | Nil. |

Update on the Audit Process and the Opinion

The Office of the Auditor General (OAG) has completed the audit of the City's 2020-21 financial statements and has advised that they will issue an unmodified audit opinion. The City has made minor changes to the financial statements as a result of the audit and these are outlined below. The OAG opinion will be provided to Elected Members once it has been received together with updated copies of both Part A and Part B of the annual report.

The financial statements, audit findings report and a detailed report on the operating result for the City was discussed at the Financial Management Audit Risk and Compliance Committee (FMARCC) meeting on 15 November 2021. At that stage, the audit of the City was substantially complete pending further review by the OAG and completion of the audit of the South Metropolitan Regional Council (SMRC).

The SMRC audit is now finalised and has resulted in a couple of changes to the City's statements being:

- A change in treatment of the loan repayment made to the WA Treasury Corporation for the City's share of its SMRC loan. The loan was previously expensed in the City's statements. The preferred method is for this payment to be shown directly against the liability for the loan on the City's balance sheet; and
- A change to the City's share of SMRC equity which has been updated in the notes to the statements.

As a result of the changes to the treatment of the loan repayment, the net result for the year has increased by \$947,537, due to the change for 2019-20 being reflected in the current financial year.

Whilst the net result for the year has increased it does not have any real impact on the underlying surplus reported in the detailed report to FMARCC.

Response to Question at ABF 7 December 2021

At the ABF Cr Fitzgerald asked whether a comment should be included in the annual report around the impact of the COVID related concessions and reductions in revenue had on the City's financial ratios. A comment has been included in Part A of the annual report to address this impact on the ratios

This concludes the audit process for 2020-21 and with the approval of Parts A and B of the annual report at the 14 December Ordinary Meeting of Council the City can proceed to finalise the annual report and advertise the Annual General Meeting of electors.



Consequences

The annual report is a key document for the City. The finalisation of the audit process and the unmodified audit opinion are important to the City and wider stakeholders.

Legislative and Policy Alignment

In accordance with the *Local Government Act 1995 (WA)* section 5.54, the annual report is to be accepted by absolute majority decision no later than 31 December after the close of the financial year

Financial Implications

The impact of the changes to the financial statements is minor.

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