

Report to the Minister for Local Government

Town of Bassendean External Audit Findings for 2020/2021

This report is provided pursuant to Section 7.12A (4)(a) of the *Local Government Act 1995*. The Office of the Auditor General (OAG) and RSM Australia completed an independent audit of the Town of Bassendean's Annual Financial Report for 2020/2021. Council received the resulting unqualified Independent Auditor's Report on 15 December 2021.

Significant Adverse Trends Reported

The Auditor General reported significant adverse trends in the financial position of the Town. This related to the Asset Sustainability Ratio and the Operating Surplus Ratio being below the Department of Local Government, Sport and Cultural Industries standard for the past three years.

Action Plan

The Town is aware of the continuing adverse movement in these two ratios, the reversal of which requires a whole of Town approach to asset management and long-term financial and operational planning. The Town has conducted a comprehensive review of its asset management plans and is undertaking a holistic review of its long-term financial plan to identify opportunities for capital renewal and replacement in the coming years. The Town will continue to explore further sources of own source revenue and is closely managing operating expenditure.

The Town has continued to prioritise capital expenditure in its Annual Budget for 2021-2022 on upgrades to Town assets and new assets. Consequently, budgeted expenditure for capital asset renewal and replacement, is relatively low and the Asset Sustainability Ratio is expected to remain low for 2021/2022.

The Town regularly reviews its fair market value asset measurement as part of the asset revaluation process. In accordance with the Australian Accounting Standards and *Local Government (Financial Management) Regulations 1996*, the fair value of fixed assets must be determined at least every five years. Depreciation rates are reviewed and adjusted, if appropriate, at the end of each reporting period. The Town will complete a revaluation exercise for its two major categories being, Land and Buildings and Infrastructure by 30 June 2022.

The Operating Surplus Ratio was adversely affected in 2020/2021 by stagnant rates revenue and falling interest income, while operational costs kept rising. Some improvement in the Operating Surplus Ratio is expected in 2021/2022.

It is quite possible, however, that both ratios will remain at levels below the standard in the short-to-medium-term, due to cost pressures and limited revenue sources.