

TOWN OF BASSENDEAN
NOTICE OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE

Dear Committee Member

The meeting of the Town of Bassendean's Audit and Governance Committee will be held in the Council Chamber, 48 Old Perth Road, Bassendean, on Wednesday 7 August 2019, commencing at 5.30pm.



Ms Peta Mabbs
CHIEF EXECUTIVE OFFICER

2 August 2019

A G E N D A

1.0 **DECLARATION OF OPENING/ANNOUNCEMENT OF VISITORS**

Acknowledgement of Traditional Owners

The Town of Bassendean acknowledges the past and present traditional owners of the land on which we gather to conduct this meeting, and pays its respects to their Elders, both past and present.

2.0 **ATTENDANCES, APOLOGIES AND APPLICATIONS FOR LEAVE OF ABSENCE**

3.0 **DEPUTATIONS**

4.0 CONFIRMATION OF MINUTES

4.1 Audit and Governance Meeting held on 5 June 2019

OFFICER RECOMMENDATION – ITEM 4.1

That the minutes of the Audit and Governance Committee meeting held on 5 June 2019, be confirmed as a true record.

5.0 ANNOUNCEMENTS BY THE PRESIDING PERSON WITHOUT DISCUSSION

6.0 DECLARATIONS OF INTEREST

7.0 BUSINESS DEFERRED FROM PREVIOUS MEETING

8.0 REPORTS

8.1 Update on Internal Audit Activity from Anne Cheng, Moore Stephens (WA) Pty Ltd

Please note, this is a standing item on the Audit and Governance Committee Agenda, to enable updates from Council's Internal Auditor.

Audit Regulation 17 Review

The Town of Bassendean engaged Moore Stephens to review the appropriateness and effectiveness of the Town of Bassendean's systems and procedures in relation to risk management, internal controls and legislative compliance ("Audit Regulation 17 Review").

Moore Stephens has completed the Audit Regulation 17 Review and provided its report to the CEO. The CEO has reviewed that report and provided management comments in terms of follow up actions. These actions have been identified as part of a broader reform agenda being led by the CEO to include amongst other objectives, a strengthening of governance across the organisation.

Local Government (Audit) Regulations 1996, Regulation 17, states:

17. CEO to review certain systems and procedures

- (1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —
 - (a) risk management; and
 - (b) internal control; and
 - (c) legislative compliance.
- (2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review not less than once in every 3 financial years.
- (3) The CEO is to report to the audit committee the results of that review.

Confidential Attachment No. 1

Review of Risk Management, Legislative Compliance and Internal Controls, Moore Stephens, July 2019.

Assurance Plan for 2019-2020

The Proposed Assurance Plan for the current financial year is presented. The Assurance Plan was developed following the Audit Regulation 17 review to target areas based on exposure to financial and/or operational risk.

Attachment No. 1

Town of Bassendean Assurance Plan for 2019-2020, Moore Stephens.

OFFICER RECOMMENDATION – ITEM 8.1

That the Audit and Governance Committee:

1. Receives the update on Audit Activity from Moore Stephens;
2. Recommends to Council that it receives the Audit Regulation 17 Review from Moore Stephens and associated management comments; and

3. Reviews the Assurance Plan for 2019-2020 and recommends its approval by Council.

Voting requirement: Simple majority

8.2 Audit Completion Report 2017-2018 – Identified Significant Adverse Trends (Ref: GOVN/CCLMEET/1 – Paul White, Director Corporate Services)

APPLICATION

The purpose of this report is to inform Council, through the Audit and Governance Committee of the action the Town of Bassendean has taken, or intends to take, with respect to matters identified as significant by the Town's auditor, Macri Partners, in the Audit Completion Report for 2017-2018.

ATTACHMENTS

Attachment No. 2

Audit Completion Report for the year ended 30 June 2018, Macri Partners

Attachment No. 3

Department of Local Government, Sport and Cultural Industries letter to the Chief Executive Officer of the Town of Bassendean, 28 June 2019

Attachment No. 4

Report to the Minister, Town of Bassendean External Audit Findings for 2017-2018.

BACKGROUND

Macri Partners conducted the audit of the Town of Bassendean's Annual Financial Statements for 2017-2018 in August 2018. Macri Partners provided its Audit Completion Report to the Audit and Governance Committee on 7 November 2018, which was received by Council on 27 November 2018.

Macri Partners provided an Unqualified Opinion but identified significant adverse trends in the financial position:

"The Asset Sustainability Ratio and the Operating Surplus Ratio have been below the Department of Local Government, Sport and Cultural Industries standard for the last three years."

STRATEGIC IMPLICATIONS

Objectives <i>What we need to achieve</i>	Strategies <i>How we're going to do it</i>	Measures of Success <i>How we will be judged</i>
5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people	Community / Stakeholder Satisfaction Survey (Governance)
	5.1.2 Ensure financial sustainability	Compliance Audit
	5.1.3 Strengthen governance, risk management and compliance	Risk Management Profile
	5.1.4 Improve efficiency and effectiveness of planning and services	Financial Ratio Benchmarked.
	5.1.5 Ensure optimal management of assets	Asset Ratio Benchmarked

STATUTORY REQUIREMENTS

The *Local Government Act 1995*, section 7.12A, relevantly states:

- (4) *A local government must –*
- (a) *prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and*
 - (b) *give a copy of that report to the Minister within 3 months after the audit report is received by the local government.*
- (5) *Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.*

FINANCIAL CONSIDERATIONS

Funding to meet costs associated with improving both ratios will be required in the 2019-2020 Budget and beyond.

COMMENT

The Department of Local Government, Sport and Cultural Industries wrote to the Town of Bassendean on 28 June 2019 and advised of the Town's obligation to prepare a report to address the matters raised in the Audit Completion Report which must be provided to the Audit and Governance Committee. The report must also be provided to the Minister for Local Government following endorsement by Council.

Asset Sustainability Ratio

The Asset Sustainability Ratio is an approximation of the extent to which assets are being renewed or replaced as the assets reach the end of their useful lives. It is calculated by measuring capital expenditure on renewal or replacement of assets, relative to depreciation expense.

The Department of Local Government, Sport and Cultural Industries (DLGSC) standard is met if the Asset Sustainability Ratio is 0.90.

Macri Partners, in its Audit Completion Report for 2017-2018, reported that the Town of Bassendean's Asset Sustainability Ratio has been below the DLGSC standard for the last three years.

	Town of Bassendean			DLGSC Standard
	2018	2017	2016	
Asset Sustainability Ratio	0.48	0.42	0.65	0.90

The Asset Sustainability Ratio can be improved by:

- Increasing expenditure on capital renewal and replacement;
- Reviewing fair market value asset measurement; and
- Reviewing depreciation rates.

The Town of Bassendean has included significant expenditure in its Budget for 2019-2020 for capital upgrades to Town assets. Consequently, budgeted expenditure for 2019-2020 for capital asset renewal and replacement, is relatively low. However, the Town of Bassendean will continue to identify funding opportunities for further capital renewal and replacement in future years.

The Town of Bassendean will review its fair value asset measurement and depreciation rates during 2019-2020.

Operating Surplus Ratio

The Operating Surplus Ratio is a measure of a local government's ability to cover its operational costs and have revenues available for capital funding or other purposes. It is calculated by measuring operating surplus (operating revenue minus operating expenses) relative to own source operating revenue. Own source operating revenue means revenue from rates, service charges, fees and user charges, reimbursements and recoveries, interest income and profit on disposal of assets.

The Department of Local Government, Sport and Cultural Industries (DLGSC) standard is met if the Operating Surplus is 0.01.

Macri Partners, in its Audit Completion Report for 2017-2018 reported that the Town of Bassendean's Operating Surplus Ratio has been below the DLGSC standard for the last three years.

	Town of Bassendean			DLGSC Standard
	2018	2017	2016	
Operating Surplus Ratio	-0.03	-0.05	-0.01	0.01

The Operating Surplus Ratio can be improved by increasing own source revenue and reducing expenditure.

The Town of Bassendean will introduce differential rating in its 2019-2020 budget, which is estimated to increase rates revenue by 0.7 per cent. The Town will explore further sources of own source revenue as part of its long-term financial planning. The Town intends to review its costing and pricing framework during 2019-2020 to assist with expenditure management.

It is worth noting that for the 2017-2018 financial year, only 40 per cent of local governments in Western Australia met the required standard for the Asset Sustainability Ratio and 20 per cent of local governments met the required standard for the Operating Surplus Ratio.

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

OFFICER RECOMMENDATION – ITEM 8.2

That the Audit and Governance Committee recommends to Council that it:

1. Receives this officers report;
2. Directs the CEO to:
 - a. Provide the Report to the Minister, attached to the Audit and Governance Committee Agenda of 7 August 2019, to the Minister for Local Government, The Hon. David Templeman MLA; and
 - b. Publish a copy of the Report to the Minister, attached to the Audit and Governance Committee Agenda of 7 August 2019, on the Town of Bassendean's official website.

Voting requirement: Simple majority

8.3 2018-2019 Interim Audit – Revised Interim Audit Report – Office of the Auditor General (Ref: FINM/AUD1 – Paul White, Director Corporate Services)

APPLICATION

The purpose of this report is to provide Council, through the Audit and Governance Committee, with:

1. Details of the Revised Internal Audit Report for 2018-2019 furnished by the Office of the Auditor General; and
2. An update to management comments relating to finding number one by the Office of the Auditor General: Purchasing Policy.

ATTACHMENTS

Attachment No. 5

Accounting for work bonds, building bonds and hire bonds, Office of the Auditor General, 1 July 2019.

Confidential Attachment No. 2

2018-2019 Revised Interim Audit Report, Office of the Auditor General, 23 July 2019.

BACKGROUND

The Auditor General was provided with the power to conduct performance audits and annual financial audits of Western Australian local governments in October 2017. The Auditor General adopted a program of gradual oversight of annual financial audits for local government entities, commencing with the 2017-2018 financial year. The Auditor General was responsible for the audit of the Town of Bassendean from 2018-2019.

In practice, Macri Partners will conduct the 2018-2019 annual financial audit for the Town of Bassendean, with oversight and final audit sign off by the Auditor General.

Macri Partners, conducted an interim audit of systems and processes in March 2019. The purpose of the interim audit of systems and processes was to evaluate the Town of Bassendean's internal control environment to obtain an understanding of key business processes, risks and internal controls. The interim audit of systems and processes provides a level of assurance to auditors, the CEO, the Audit and Governance Committee and Council as to the level of controls that are in place and adherence to those controls.

The Auditor General provided its interim audit results to the CEO of the Town of Bassendean on 30 May 2019. The Auditor General identified a number of deficiencies in internal controls and rated each deficiency as having significant, moderate or minor implication. The Interim Audit Report, with management comments that addressed the identified deficiencies, was presented to the Audit and Governance Committee for its meeting on 5 June 2019.

The Interim Audit Report identified a deficiency which the Auditor General described as having significant implication relating to Trust Fund Moneys. The Auditor General found that:

“the Town has been holding Bond and Security deposit monies within its municipal fund and recognising an asset on the Statement of Financial Position along with a corresponding liability, interest earned on these funds has been retained by the Town.”

The Auditor General made the following recommendation:

“To facilitate accurate reporting for the 30 June 2019 the Town should:

- *report bond/security monies as trust funds in the Notes to the financial report; and*
- *reliable estimate past interest earned that is payable to persons entitled to receive it.”*

The Audit and Governance Committee disagreed and resolved to replace the management comment, which agreed with the Auditor General’s recommendation to the following:

“Disagree. Action will be taken to challenge the Office of the Auditor General’s finding. Further advice is to be sought from the Western Australian Local Government Association (WALGA) and the Department of Local Government, Sport and Cultural Industries before the next Audit & Governance Committee meeting.”

Council received the Auditor General’s Interim Audit Report, as amended, at its Ordinary Council Meeting on 25 June 2019.

STRATEGIC IMPLICATIONS

Objectives <i>What we need to achieve</i>	Strategies <i>How we’re going to do it</i>	Measures of Success <i>How we will be judged</i>
5.1 Enhance organisational accountability	5.1.1 Enhance the capability of our people	Community / Stakeholder Satisfaction Survey (Governance)
	5.1.2 Ensure financial sustainability	Compliance Audit
	5.1.3 Strengthen governance, risk management and compliance	Risk Management Profile
	5.1.4 Improve efficiency and effectiveness of planning and services	Financial Ratio Benchmarked.
	5.1.5 Ensure optimal management of assets	Asset Ratio Benchmarked

STATUTORY REQUIREMENTS

The *Local Government Act 1995*, section 6.9 states:

- (1) *A local government is to hold in the trust fund all money or the value of assets —*
 - (a) *that are required by this Act or any other written law to be credited to that fund; and*
 - (b) *held by the local government in trust.*

- (2) *Money or other property held in the trust fund is to be applied for the purposes of, and in accordance with, the trusts affecting it.*
- (3) *Where money or other property is held in the trust fund, the local government is to —*
 - (a) *in the case of money, pay it to the person entitled to it together with, if the money has been invested, any interest earned from that investment;*
 - (b) *in the case of property, deliver it to the person entitled to it.*
- (4) *Where money has been held in the trust fund for 10 years it may be transferred by the local government to the municipal fund but the local government is required to repay the money, together with any interest earned from its investment, from that fund to a person claiming and establishing a right to the repayment.*

FINANCIAL CONSIDERATIONS

Funding to meet the costs associated with the 2019 interim audit exists in the 2018-2019 budget.

COMMENT

The Office of the Auditor General published a position paper on accounting for work bonds, building bonds and hire bonds on 1 July 2019 ([Attachment No. 5](#)).

The Office of the Auditor General obtained independent legal advice and stated:

“ ... unless agreements between developers/hirers and the entity require bond moneys to be held in the Trust Fund, they should not be held in the Trust Fund.

There are no provisions in the [Local Government] Act or any other written law that specify that work bonds, building bonds and hire bonds are to be credited to, or held in, the Trust Fund, and these moneys are not held in trust. Consequently, section 6.9 of the [Local Government] Act is not applicable to these funds, and they should be held in the Municipal Fund.

We recommend however that separate accounting records should be maintained for these moneys, as one of the control measures to ensure they are used for the correct purpose.

As section 6.9(3)(a) of the [Local Government] Act is only applicable to moneys held in the Trust Fund, any interest earned while the moneys are in the Municipal Fund, can be retained by the entity.”

The Auditor General provided its revised interim audit results to the CEO of the Town of Bassendean on 23 July 2019 (Confidential Attachment No. 2). The revised interim audit results exclude the deficiency relating to Trust Fund Moneys.

The Town of Bassendean can continue to hold bond and security deposits within its municipal fund and retain interest earned on those deposits, in the absence of any agreement for the deposit to be held in the Trust Fund.

Council Policy 6.14 - Purchasing Policy

The Auditor General’s interim audit results included a deficiency described as having moderate implication relating to the Town of Bassendean’s Purchasing Policy.

A revised Purchasing Policy was presented to the Audit and Risk Committee for its meeting on 5 June 2019. The Audit and Risk Committee recommended Council adopt the revised Purchasing Policy, with an amendment relating to local suppliers. Council endorsed the updates to the Purchasing Policy at its Ordinary Council Meeting on 25 June 2019.

The management comment responding to the Auditor General’s interim audit results relating to the Purchasing Policy included the following:

“In the longer term, the Town is committed to undertaking a more comprehensive review of procurement to move towards a centre-led model (under the Director Corporate Services) to strengthen oversight and minimize risk; and consider sustainability in procurement.”

The Town of Bassendean plans to implement a procurement and contract management framework in 2020, following recruitment of a Procurement, Contracts and Leases Coordinator in late-2019. That position is a new position created as part of the Town of Bassendean’s new organisational structure, endorsed by council at a Special Council Meeting on 10 June 2019.

The Town of Bassendean's procurement and contract management framework will include a further review of Council Policy 6.14 – Purchasing Policy, as part of the development of a broader framework to develop principles, processes and procedures that will apply to all purchases of goods, services and works by the Town.

The procurement framework will aim to ensure the following fundamental principles are applied to every procurement at the Town of Bassendean:

- Value for money;
- Open and fair competition;
- Accountability;
- Risk management;
- Probity and transparency; and
- Sustainability.

The Town of Bassendean has adopted some interim measures to strengthen its procurement processes, pending development of the procurement and contract management framework, including:

- Reviewing its Purchasing Policy;
- Improving the quality and consistency of procurement documentation; and
- Revising procurement procedures and qualitative evaluation criteria.

The procurement and contract management framework will, once developed, be submitted to the Audit and Governance Committee for review, prior to provision to Council.

OFFICER RECOMMENDATION – ITEM 8.3

That the Audit and Governance Committee:

1. Recommends to Council that it receives the Auditor General's revised Interim Audit Report, as attached to the Audit and Governance Committee Agenda of 7 August 2019.
2. Notes the administration's plan to develop a new procurement and contract management framework for future consideration by the Committee in 2020.

Voting requirement: Simple majority

8.4 Annual Closed Circuit Television (CCTV) Report (Ref: INFT/ACQ/1) – Sharna Merritt, Senior Ranger

APPLICATION

The purpose of this report is to present the 2018/19 annual statistics for the Towns' existing CCTV systems, as per the requirements of the Closed Circuit Television (CCTV) Management & Operational Manual.

BACKGROUND

In April 2012 (OCM 10/04/2012) Council adopted the Closed Circuit Television (CCTV) Management & Operational Manual. This document provides for the annual reporting of listed items to keep the Town updated on the effectiveness of CCTV installations throughout Council owned facilities.

The Manual states that '*CCTV Management Practices establish the operational objectives and reporting indicators for CCTV Operations, with a focus on nominated outcomes relevant to camera locations and other defined target areas*'.

Key indicators include the number of requests for footage, the time taken in responding to requests for footage, the number of requests for maintenance and the time taken to repair systems.

This data allows for the Town to quickly identify trends concerning fundamental operations, which may require early intervention or closer monitoring.

This information can then be used to determine if the installation is still necessary or if it has served its purpose in reducing reportable incidents in the area and can be re-installed elsewhere if needed.

COMMENT

Customer Service Centre CCTV

This system is running effectively and provides security for front of counter staff when dealing with customers to the Town.

The CCTV System installed at the Customer Service Centre located at 35 Old Perth Road, Bassendean has received 1 request for footage and the data was provided to the requesting officer at a later date. It has had 6 issues with the display not working properly but has not had any resulting downtime of the system.

Library CCTV

This system is currently operational and captures external footage under the library as well as internal footage inside the Library.

The CCTV System installed in the Library located at 46 Old Perth Road, Bassendean has received 4 requests for footage with the data provided to the requesting officer at a later date. There was a one week period in which the system was not operational due to the installation of Cat 5 cabling.

Youth Services CCTV

The system at Youth Services continues to be used to deter and as necessary, record evidence, of any anti-social or criminal behaviour located in and around the site.

The CCTV system installed at the Bassendean Youth Services located at the corner of West Road and Guildford Road, Bassendean has received 1 request for footage and the data was collected by the requesting officer at a later date. There have been no maintenance or repair issues in the reporting period.

Seniors & Disabilities CCTV

The system at this location is running effectively and provides security for the staff at this location and also provides a deterrent against break-ins.

The CCTV System installed at the Seniors and Disabilities Office located at 2 Colstoun Road, Ashfield has not received any requests for footage nor had any system repair issues during this reporting period.

Depot CCTV

The system in this location is running effectively and provides coverage of areas inside the Depot Compound.

The CCTV system installed at the Depot Compound located at 69 Scaddan Street, Bassendean has not received any requests for footage nor had any system repair issues during this reporting period.

Mobile CCTV Trailer

The trailer is designed to be deployed at random locations throughout the Town where it can be secured and monitored to prevent and deter anti-social and criminal behaviour. The Town has a schedule for deployment that can be adjusted to include any new hotspot locations as necessary and as per the Closed Circuit Television (CCTV) Management & Operational Manual guidelines.

The Trailer has received several requests from the WA Police at the Kiara Police Station to be stationed around the Town to assist with evidence gathering activities and Rangers continue to liaise with Kiara Police to prioritise the requested locations and deploy the trailer in line with Management Policies and Practices.

The CCTV trailer has also been used during the last twelve months to monitor Town of Bassendean Assets and Events to deter and prevent damage, theft and gather evidence as required.

The trailer has been operating effectively for the reporting period with 1 Police request for footage with the data provided to the requesting officer at a later date. There have been no maintenance or repair issues in the reporting period.

Administration Building – 48 Old Perth Road

This installation captures images to the rear of the building, along the Public Access Way between the Library carpark and James Street, and out into the BIC Reserve / War Memorial area.

The system has been operating effectively for the reporting period with 1 Police request for footage with the data provided to the requesting officer at a later date. There have been no maintenance or repair issues in the reporting period.

Alf Faulkner and Jubilee Reserve CCTV

Cameras at Alf Faulkner Hall cover the immediate area around the building and the cameras at Jubilee Reserve cover the immediate area around Stan Moses Pavilion, a second installation covers the immediate area around the Kiosk and the third covers the area immediately outside the Caledonians Soccer Club facility.

The systems have been operating effectively for the reporting period with 2 requests for footage with the data provided at a later date. There have been 2 theft/maintenance and repair issues in the reporting period resulting in approximately 4 weeks of downtime.

STRATEGIC IMPLICATIONS

In February 2013 (OCM – 22/02/13) Council adopted the 2013-2023 Community Strategic Plan which states that the Town will support residents to feel safe in their own homes and in public places and shops in the Town through ranger patrols, community safety education, CCTV where appropriate, and joint activities with WA Police and other agencies.

One strategy used to do this is that Council continue to deploy Close Circuit Television (CCTV) in accordance to legislative requirements and Council's Management and Operational Manual.

In order to meet the objective set by the Community Strategic Plan the Town needs to continually re-evaluate its current CCTV installations to ensure they are still performing correctly and in accordance with guidelines and accepted practices.

Part of the evaluation process may include regular consultation with the Town's Community Safety and Crime Prevention Taskforce to assist in identifying 'hotspots' for potential future CCTV installations.

Based upon community feedback, there is a desire to install further CCTV cameras at strategic locations on Old Perth Road. This is a matter that will be subject to further deliberations by the Community Safety and Crime Prevention Taskforce.

STATUTORY REQUIREMENTS

Closed Circuit Television (CCTV) Management & Operational Manual

FINANCIAL CONSIDERATIONS

There are no financial considerations for this report.

OFFICER RECOMMENDATION – ITEM 8.4

That the Audit and Governance Committee receives the CCTV Management and Operation Annual report.

Voting requirement: Simple majority

9.0 MOTIONS OF WHICH PREVIOUS NOTICE HAS BEEN GIVEN

Nil.

10.0 ANNOUNCEMENTS OF NOTICES OF MOTION FOR THE NEXT MEETING

11.0 CONFIDENTIAL BUSINESS

11.1 Update on Audit Activity from Anne Cheng, Moore Stephens (WA) Pty Ltd – Stan Moses Management Group Inc. – Moore Stephens Draft Report, June 2019

Confidential Attachment No. 3

- Agreed Upon Procedures – Stan Moses Management Group, Draft Report, Moore Stephens, June 2019

This matter is to be considered with members of the public excluded from the Chamber under Clause 5.23 (2) (b) of the Local Government Act 1995, as the officer report discusses information of a personal nature.

OFFICER RECOMMENDATION – ITEM 11.1

That the Audit and Governance Committee receives the Stan Moses Management Group report from Moore Stephens and associated management comments, as attached to the Audit and Governance Agenda of 7 August 2019.

Voting requirement: Simple majority

11.2 Street Sweeping Contract – Legal Dispute (Ref: GOVN/CCLMEET/1 – Paul White, Director Corporate Services)

This matter is to be considered with members of the public excluded from the Chamber under Clause 5.23 (2) (b) of the Local Government Act 1995, as the officer report discusses information of a personal nature.

OFFICER RECOMMENATIONS – ITEM 11.2

That the Confidential Officer's report attached to Audit and Governance Committee Agenda of 7 August 2019, be received.

11.3 Payment of Superannuation on Annual Leave Loading (Ref: GOVN/CCLMEET/1) – Paul White, Director Corporate Services

ATTACHMENTS

Confidential attachment No. 4

WALGA Tax Service Newsletter, Moore Stephens, undated.

OFFICER RECOMMENDATION – ITEM 11.3

That the Officer's Report attached to the Audit and Governance Committee Agenda of 7 August 2019, be received.

Voting requirement: Simple majority

12.0 CLOSURE

The next meeting is to be held on Wednesday, 13 November 2019, commencing at 5.30pm (subject to confirmation).

ATTACHMENT NO. 1

Town of Bassendean Internal Auditor's Report – Moore Stephens WA

1. Update on Audit Activity

Audit Regulation 17 Review - Complete

The Final Report has been discussed with the CEO and the Executive team. Management Comments have been incorporated within the Report.

Stan Moses Management Group (SMMG) Agreed Procedures - Complete

The Final report has been discussed with the CEO and the Executive team. Management Comments have been incorporated within the Report.

2. Audit Plan for 2019-2020

COMPLETED (since 2017)

- TENDER & CONTRACTS (MAY 2017)
- REVENUE & FEES (MARCH 2018)
- SMMG (JUNE 2019)
- AUDIT REGULATION 17 (JULY 2019)

RISK ADVISORY (2019)

Risk workshops - Management group (1), staff (x2) held in May 2019

PROPOSED ASSURANCE PLAN FOR 2019-2020

The proposed Assurance Plan for FY 2019-2020 is as follows:

- Follow up of previous audit recommendations to validate
 - implementation of the required actions
 - operational effectiveness of the current controls
- Payments Audit – end to end process review of the key controls and processes within Accounts Payable including authorization for purchases, legitimacy of payments and accuracy i.e. refunds, credit notes, etc.

The rationale for the above audit activities is to:

- establish whether previous audit recommendations have been dealt with appropriately;
- establish a baseline for the effectiveness of the control environment over a higher risk area such as Payments processing from beginning to end i.e. point of commitment to payment of invoice; and
- to identify opportunities to re-engineer existing controls to reduce manual handling and to implement more oversight and analytical controls.

A detailed Scope will be prepared for the above activities prior to commencement of the audit activity.

ATTACHMENT NO. 2



Certified Practising Accountants

Town of Bassendean



Audit Completion Report to the
Audit Committee
For the Year Ended 30 June 2018

7 November 2018

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1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*", we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan discharges the requirements of the Auditing Standard.

This report has been prepared for the Council via its Audit Committee to summarise the significant matters that have arisen from our year-end audit of the Town of Bassendean for the year ended 30 June 2018.

1.1 Status of Audit

Our audit fieldwork at the Town of Bassendean for the financial year ended 30 June 2018 has been completed.

Before our Independent Auditor's Report is signed off and issued to the Council, the following outstanding matter is required to be attended to:

- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

1.2 Deliverables

Output	Timing
External Audit Plan	3 May 2018
Interim Audit Management Letter	10 May 2018
Present the Audit Completion Report to the Audit Committee	7 November 2018
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by the Audit Committee

2. Financial Statements and Audit Opinion

Audit Opinion

We have completed the audit of the Town of Bassendean's accounts in line with current Australian Auditing Standards and will give an **Unqualified Opinion** [subject to subsequent events procedures] that the financial report of the Town of Bassendean

- (i) gives a true and fair view of the financial position of the Town of Bassendean as at 30 June 2018 and of its financial performance for the year ended on that date; and
- (ii) complies with the *Local Government Act 1995* (as amended), the *Local Government (Financial Management) Regulations 1996* (as amended) and the Australian Accounting Standards.

Refer to **Appendix 1** for our Proposed Draft Independent Auditor's Report

3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of Town of Bassendean' activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	Revaluation of - Parks and Ovals	<p>Regulation 17A (4) of the LG (Financial Management) Regulations 1996 requires Infrastructure assets to be measured at fair value for the year ended 30 June 2018. The Town of Bassendean's Parks & Oval asset class was revalued at fair value by external valuers at 30 June 2018. Roads, Footpaths and Drainage asset classes were revalued in the year ended 30 June 2017 together with the Land and Buildings asset classes.</p> <p>Audit evaluated the professional competence and objectivity of the external valuers and the adequacy of the scope of their work. We are satisfied that the external valuers are suitably qualified, objective and experienced in undertaking this work.</p> <p>Audit procedures tested capital asset additions on a sample basis for accuracy to supporting documentation. Audit also reviewed the basis of the asset valuations (at fair value) undertaken and considered the judgements, assumptions and data used together with the reasonableness of any estimation techniques applied. Asset reconciliation schedules were verified against trial balance reported amounts.</p> <p>We have relied upon the values adopted by the external valuers.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the Infrastructure asset classes.</p>

2	Revenue Recognition	<p>Accounting Standards for Revenue and Contributions recognition prevent Councils from recording unexpended untied grants as a liability instead of revenue (grants and contributions received in advance)</p> <p>Audit procedures included substantiation and verification of cut – off procedures and assessment of whether treatment of revenue is consistent with Accounting Standards AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</p>
3	Contingent Liabilities	<p>Audit procedures included discussions with management, review of council minutes and solicitor’s representation letters to identify the possible existence of contingencies which may require disclosure in the financial statements.</p> <p>At this date, we are satisfied with the current disclosure in the financial report.</p>
4	Related Party Disclosures	<p>AASB 2015-6 Amendments to Australian Accounting Standards – Extends Related Party Disclosures to Not – for – Profit Public Sector Entities. The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not – for-profit sector entities.</p> <p>Audit procedures included discussions with management and review of related party disclosure forms completed by the key management personal which includes Councillors.</p>

We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the Town of Bassendean's financial report.

4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for Town of Bassendean' current business operations.

However, a separate Interim Audit Management Letter has been provided to management following our interim audit which provides details of the internal control and compliance matters raised.

Our follow up indicates that the management comments for the interim audit visit conducted during the financial year ended 30 June 2018 have been fully implemented.

5. Key Findings during Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a number of key focus areas as outlined in Section 3 above. In addition, during the course of our year-end fieldwork, other accounting and audit issues were noted. Our consideration of these matters is set out below.

We request that the Audit Committee review the matters below and satisfy themselves that:

- there are no other matters of which you are aware that would impact these issues;
- there are no other significant issues that ought to be considered before recommending the adoption of the financial statements to the Council; and
- you concur with the resolution of the issue as described below.

1	Area: Asset Management Plans
	Recommendation
	<p>Given the significant work undertaken in the revaluation of the Town of Bassendean' Infrastructure assets namely Parks & Oval during the financial year ended 30 June 2018, we recommend that Asset Management Plans for each asset class be reviewed and updated with the most recently acquired data collected to ensure all future projections of required capital maintenance and upgrades remain reliable for strategic decision making purposes.</p> <p>Updated projections from the Asset Management Plans should be factored into the Town of Bassendean' Long Term Financial Plan estimates to ensure appropriate planning for future funding requirements are appropriately planned for and known.</p>

6. Specific Required Communications

The Australian Auditing Standard ASA 260: "Communication with Those Charged with Governance" requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"> ➤ There were no changes to the audit approach outlined in the External Audit Plan.
Significant accounting policies	<ul style="list-style-type: none"> ➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Bassendean including new pronouncements adopted during the year, are described in notes to the financial statements. ➤ There were no significant changes in the application of existing policies during the year ended 30 June 2018. The accounting policies adopted in the financial statements are appropriately disclosed.
Sensitive Accounting Estimates and Disclosures	Refer to "Current Year of Audit Focus" section
Misstatements and significant audit adjustments	<ul style="list-style-type: none"> ➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. In the context of the Town of Bassendean, we consider that amounts of a value less than \$ 9,800 should be considered trivial. This represents 5% of materiality. ➤ A few disclosure adjustments to the financial statements have been discussed and amended during the course of our audit. ➤ There were no uncorrected misstatements in the Annual Financial Statements.
Significant Weaknesses in Internal Controls	<ul style="list-style-type: none"> ➤ No significant weaknesses in internal control were identified. Refer to our Interim Audit Management Letter.
Disagreements with management	<ul style="list-style-type: none"> ➤ There have been no significant disagreements with management during the course of the audit.
Serious Difficulties Encountered in Dealing with Management when Performing the Audit such as: <ul style="list-style-type: none"> • Significant delays in 	<ul style="list-style-type: none"> ➤ There were no serious difficulties encountered in dealing with management when performing the audit.

<p>management providing required information</p> <ul style="list-style-type: none"> • An unnecessarily brief time within which to complete the audit • Extensive unexpected effort required to obtain sufficient appropriate audit evidence • The unavailability of expected information • Restrictions imposed on the auditor by management 	
<p>Fraud and Illegal Acts</p>	<ul style="list-style-type: none"> ➤ We are not aware of any matters that require communication. ➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.
<p>Compliance with laws and regulations</p>	<ul style="list-style-type: none"> ➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations. ➤ We have also received representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.
<p>Threshold to Capitalise Assets</p>	<ul style="list-style-type: none"> ➤ Currently the Town of Bassendean's capitalisation threshold policy is to capitalise, all capital assets in excess of \$ 2000. <p>However, with effect from 1 July 2018 in accordance with the amendment to the Local Government (Financial Management) Regulation 1996, which was gazetted on 26 June 2018, Council should capitalise assets in excess of \$ 5,000 only. Therefore, it needs to make a retrospective adjustment in the 2018/19 financial year in respect of capital assets costing less than \$ 5,000 which had been capitalised in the past as this change of accounting treatment results in a change in accounting policy.</p>
<p>Books and records and conduct of the audit</p>	<ul style="list-style-type: none"> ➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.
<p>Other Information in Documents Containing Audited Financial Statements</p>	<ul style="list-style-type: none"> ➤ Our financial statement audit opinion relates only to the financial statements and accompanying notes. ➤ However, we also review other information in the Annual Report, such as Management's Discussion and Analysis, for consistency with the audited financial statements. Once the annual report is prepared and provided to us, we will review the Annual Report for consistency between the audited financial statements and other sections of that document.

Related Party Transactions	<ul style="list-style-type: none"> ➤ None of which we are aware other than what is disclosed in Note 20 to the financial statements.
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	<ul style="list-style-type: none"> ➤ Refer above.
Going concern	<ul style="list-style-type: none"> ➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.
Independence	<ul style="list-style-type: none"> ➤ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence. ➤ During the year ended 30 June 2018, Macri Partners has not provided any non-audit services to the Town of Bassendean.

7. Disclaimer

This report has been prepared for the Audit Committee and management of Town of Bassendean only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the Town of Bassendean.

8. Appendix 1 - Proposed Audit Opinion

INDEPENDENT AUDITOR'S REPORT

TO: RATEPAYERS OF TOWN OF BASSENDEAN

Report on the Financial Report

Opinion

We have audited the financial report of **Town of Bassendean** (the Council), which comprises the Statement of Financial Position as at 30 June 2018, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows and Rate Setting Statement for the year then ended, and a summary of significant accounting policies and other explanatory information and Statement by Chief Executive Officer.

In our opinion, the annual financial report of the **Town of Bassendean** is:

- (i) Is based on proper accounts and records ; and
- (ii) fairly represents, in all material respects, the results of the operations of the Council for the year ended 30 June 2018 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 consistent with the Act, Australian Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the auditor independence and ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Act. Regulation 16 of the Local Government (Financial Management) Regulations 1996 (Regulations), does not allow a local government to recognise some categories of land, including land under roads, as assets in the annual financial report. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

Responsibilities of the Chief Executive Officer and Council for the Financial Report

The Chief Executive Officer (CEO) of the Council is responsible for the preparation and fair presentation of the annual financial report in accordance with the requirements of the Act, the Regulations and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards. The CEO is also responsible for such internal control as the CEO determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the CEO is responsible for assessing the Council'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 Council.

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

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the *Local Government (Audit) Regulations 1996*, we also report that:

- (a) In our opinion, the following matter indicates significant adverse trends in the financial position or the financial management practices of the Council:

The Asset Sustainability Ratio and the Operating Surplus Ratio have been below the Department of Local Government, Sport and Cultural Industries standard for the last three years. The financial ratios are reported at note 30 to the financial report.

- (b) In our opinion, the asset consumption ratio and the asset renewal funding ratio included in the annual financial report were supported by verifiable information and reasonable assumptions:
- (c) All required information and explanations were obtained by us.
- (d) All audit procedures were satisfactorily completed.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Town of Bassendean for the year ended 30 June 2018 included on the Council's website. Management is responsible for the integrity of the Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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.

MACRI PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS
SUITE 2, 137 BURSWOOD ROAD
BURSWOOD WA 6100

A MACRI
PARTNER

PERTH
DATED THIS 7TH DAY OF NOVEMBER 2018.

ATTACHMENT NO. 3



Department of
**Local Government, Sport
and Cultural Industries**

Our ref BS3-4#04 E1915183
Enquiries Stuart Fraser
Phone 65521586
Email stuart.fraser@dlgsc.wa.gov.au

Ms Peta Mabbs
Chief Executive Officer
Town of Bassendean
PO Box 87
BASSENDEAN WA 6054

Dear Ms Mabbs

The Department of Local Government, Sport and Cultural Industries (the Department) has received the Town's 2017-18 Audit Report from Macri Partners dated 7 November 2018.

The Audit Report identifies matters as significant in regard to adverse trends, qualified audits and other matters. The following matter is identified as significant by the auditor:

- Significant adverse trends in the financial position: Asset Sustainability Ratio and Operating Surplus Ratio below the Department standard for the last three years.

Section 7.12A(4) of the *Local Government Act 1995* states that a local government must:
prepare a report addressing any matters identified as significant by the auditor in the audit report, and stating what action the local government has taken or intends to take with respect to each of those matters; and
(b) give a copy of that report to the Minister within 3 months after the audit report is received by the local government.
Within 14 days after a local government gives a report to the Minister under subsection (4)(b), the CEO must publish a copy of the report on the local government's official website.

To date it appears that a report has not been received and has not been published on the Town's official website in accordance with Section 7.12A.

As a matter of priority the Town must prepare a report for its Audit Committee and seek council's endorsement before forwarding a copy to the Department at audits@dlgsc.wa.gov.au

As this report is now overdue, the Department requires the local government to remedy this non-compliance within the next 60 days from the date of this letter.



Document #: ILET-15808519
Date: 28.06.2019
Officer: PETA MABBS
File: FINM/AUD/7

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Email info@dlgsc.wa.gov.au
Web www.dlgsc.wa.gov.au

For further information please review the Department's Circulars 05-2019 Local Government Auditing and 02-2018 Guide to Local Government Auditing Reforms (page 8) which are published on the Department's website.

Should you have any queries please contact the Department on the above email address or phone 65527300.

Yours sincerely



Narrell Lethorn
Director Industry and Sector Regulation

28 June 2019

cc Cr Renée McLennan, Mayor, Town of Bassendean

ATTACHMENT NO. 4

Report to Minister

Town of Bassendean External Audit Findings for June 2017-2018

This report is completed in line with Section 7.12A (4)(a) of the *Local Government Act 1995*. Macri Partners completed an independent audit of the Town of Bassendean's Annual Financial Report for 2017-2018. Council received the resulting unqualified independent auditor's report on 27 November 2018.

Significant Adverse Trends Reported

It was reported by Macri Partners that in accordance with Local Government (Audit) Regulations 1996, the reported financial position of the Town of Bassendean indicated significant adverse trends. 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 of Bassendean has identified a need to increase its own source revenue and decrease operating expenditure, and to direct additional available funds toward asset renewal and replacement spending.

The Town of Bassendean has included significant expenditure in its budget for 2019-2020 for capital upgrades to Town assets. Consequently, budgeted expenditure for 2019-2020 for capital asset renewal and replacement is relatively low. However, the Town of Bassendean will continue to identify funding opportunities for further capital renewal and replacement in future years.

The Town of Bassendean will review its fair value asset measurement and depreciation rates during 2019-2020.

The Town of Bassendean will introduce differential rating in its 2019-2020 budget, which is estimated to increase rates revenue by 0.7 per cent.

The Town of Bassendean will explore further sources of own source revenue as part of its long-term financial planning and intends to review its costing and pricing framework during 2019-2020 to assist with expenditure management.

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

ATTACHMENT NO. 5

Accounting for work bonds, building bonds and hire bonds

Western Australia local government position paper 1

1 July 2019



Office of the Auditor General
Serving the Public Interest

The purpose of this OAG position paper is to inform local government entities that moneys held as bonds, such as work bonds, building bonds and hire bonds should not, for accounting purposes, be regarded as Trust Fund moneys in terms of the *Local Government Act 1995* (Act). Consequently, these moneys should be held in the Municipal Fund, recognised on the statement of financial position in the annual financial report and interest, if any, earned on those moneys would therefore not need to be paid to the person entitled to the moneys in accordance with section 6.9(3)(a) of the Act.

Summary of the issue

Since assuming responsibility for the annual financial audits of local government entities in accordance with the Local Government Amendment (Auditing) Act 2017, we have noted significant variation in the accounting treatment for bond moneys. These include:

- Some entities hold bond moneys in the Municipal Fund and therefore retain any interest income on those moneys.
- A small number of entities hold bond moneys in the Trust Fund and, in accordance with section 6.9(3)(a) of the Act, repay interest together with the principal amount to the developer/hirer.
- Some entities hold bond moneys in the Trust Fund but retain any interest earnings as revenue of the entity.
- Some entities hold bond moneys in the Trust Fund, and in a non-interest bearing account.

Section 6.9(1) of the Act states:

A local government is to hold in the trust fund all money or the value of assets —

- (a) that are required by this Act or any other written law to be credited to that fund; and
- (b) held by the local government in trust.

Section 6.9(3)(a) states:

Where money or other property is held in the trust fund, the local government is to —

- (a) in the case of money, pay it to the person entitled to it together with, if the money has been invested, any interest earned from that investment.

OAG position

We have obtained independent legal advice that, unless agreements between developers/hirers and the entity require bond moneys to be held in the Trust Fund, they should not be held in the Trust Fund.

There are no provisions in the Act or any other written law that specify that work bonds, building bonds and hire bonds are to be credited to, or held in, the Trust Fund, and these moneys are not held in trust. Consequently, section 6.9 of the Act is not applicable to these funds, and they should be held in the Municipal Fund.

We recommend however that separate accounting records should be maintained for these moneys, as one of the control measures to ensure they are used for the correct purpose.

As section 6.9(3)(a) of the Act is only applicable to moneys held in the Trust Fund, any interest earned while the moneys are in the Municipal Fund, can be retained by the entity.



However, if entities have in the past held bond moneys (or any other moneys) in the Trust Fund, section 6.9(3)(a) of the Act applies. Therefore, if an entity has held moneys in the Trust Fund, invested it and not paid interest to the person entitled to it, the entity should assess:

1. whether it can practically identify past interest earned on the moneys, and who is owed that interest
2. whether it can practically pay those persons entitled to the interest, as required by section 6.9(3)(a) of the Act.

Cash in Lieu of Public Open Space

By contrast to bonds, we have noted for example that section 154 of the *Planning and Development Act 2005* requires Cash in Lieu of Public Open Space to be held in the Trust Fund. Consequently, section 6.9 of the Act is applicable to any such moneys held by a local government. As a result, any interest earned on those moneys should be paid to the person entitled to it, in accordance with section 6.9(3)(a) of the Act.

Recognition in the annual financial report

Because moneys held as bonds, such as work bonds, building bonds and hire bonds should be held in the Municipal Fund, they should be recognised as an asset (Cash and Cash Equivalents) in the Statement of Financial Position, with a corresponding liability to recognise that the moneys are owed to developers/hirers.

Interest earned on the work bonds, building bonds and hire bonds while the moneys are in the Municipal Fund, should be recognised as revenue in the Statement of Comprehensive Income.

