

**Copy of LG Sector Update email from VAGO – June 2021
(Distributed to councils by VAGO on 24.6.21)**

Hi all,

I hope you are safe and well.

VAGO performance audit and other integrity bodies update - June 2021 audit update is attached for your reference.

MAV WorkCare:

Earlier this month, I was made aware that MAV's WorkCare Self-Insurance Scheme (MAV WorkCare) will cease operation as of 30 June 2021. MAV WorkCare currently provides workers' compensation coverage to 29 council entities. I understand that under the participation agreement conditions, the cessation **will have an impact on the 2020-21 financial reports of the Scheme's participants (both present members and past member)**. Based on my meetings with MAV management and LGV on this matter:

- Net financial impact of this wound-up process to MAV Work Care is not expected to be known before the first week of September 2021 at the earliest. *This could **potentially have an accounting impact** (as an 'adjusting event after the reporting period' under AASB 110) for members completing 2020-21 financial reports (and financial indicators in performance statement) after the date scheme's financial impact is crystallised.*
- Currently there is a disclosure note in the model financial report regarding MAV Work Care (as part of contingent liability disclosures). I understand LGV will be issuing a revised disclosure and guidance material, shortly. **Revised disclosure and financial impact of the scheme wound-up process will need to be included for 2020-21 and considered for next 6 years to meet WorkSafe licence requirements.**

Victorian Ombudsman report - Investigation into Melton City Council's engagement of IT company, MK Datanet Pty Ltd:

This report highlights specific risks in relation to IT projects and importance of key procurement processes and controls. It is topical as LG sector is going through a period of IT upgrades and business transformation projects. More broadly, findings from this report shows the **importance of robust checks and balances in all procurement areas and highlights weaknesses** including:

- lack of due diligence in the tender and procurement processes
- work split across multiple different engagements related to one piece of work
- declaration of any conflicts of interest processes by employees and contractors
- induction process for contractor vs council employees

Refer to the attached June 2021 sector update document for link to this report.

Asset Revaluations:

With councils finalising asset revaluation work as at 30 June 2021, some the common revaluation issues to look out for:

- Where revaluation is performed before 30 June, we are requesting for revaluation report to be extended to take into consideration **any COVID19 impacts on fair value of assets as at**

30 June 2021. Ensure supporting evidence for unit rates, recent land sales data etc., are reasonable and appropriate.

- Any **changes to key assumptions and methodologies by the valuers** in their valuation approach need supporting evidence. In such instances, suggest to provide auditors with management position on appropriateness and reasonableness of these changes. This may also have implications for financial statement disclosures.
- Not revaluing investment property under separate requirements of AASB 140 *Investment Property*.
- To meet financial reporting deadlines, engage with your external valuers / service providers early.
- Indexation methods applied by Councils as part of managerial assessment to **consider the cumulative impact since the last revaluation**. Our expectation is that if the cumulative assessment indicates material movement in asset values – this will either lead to a formal valuation or the fair value of the asset is adjusted as at 30 June 2021 by booking a journal entry to reflect the cumulative indexation movement.
- Changes in discount rates for public use from previous valuations, without explanation (e.g. 25% discount for public use zoning in current year valuation vs 20% in the previous valuation).
- Misallocation of property types when conducting assessment of index movement (e.g. using an average of Residential, Commercial and Englobo index movements, when the Council only owns Commercial land).
- Councils not having conducted condition assessments for more than 5 years
- Councils not being able to provide supporting evidence for their condition assessments
- Councils not being able to provide any supporting evidence for unit rate (CRC) calculations
- Councils not being able to provide data in the Fixed asset register to support asset listing.

Related parties:

- With **new councillors from 2020 LG elections as new related parties**, please ensure your new Councillors (and KMPs) are aware of the financial reporting requirements of AASB 124 *Related Party Disclosures*.
- From an audit perspective, we remain focused on appropriate related party disclosures of Councillors and KMP. The [LGV guidance](#) for reference.

Audit committee forum:

VAGO held annual Audit Committee forum on Friday 4 June 2021. Please find below links to the presentation videos and slides.

Risk Management and Innovation, presented by Andrew Greaves

[Presentation recording](#)

[Presentation slide deck](#)

Leading by Example, presented by Dave Barry

[Presentation recording](#)

Delivering Performance Engagements, presented by Renee Cassidy

[Presentation recording](#)

[Presentation slide deck](#)

Audit Committee Effectiveness: Insights From Our interactions Across the VPS & Financial Audit Services, presented by Roberta Skliros

[Presentation recording](#)

[Presentation slide deck](#)

Cyber and Data Security Risk Management, presented by John O'Driscoll

[Presentation recording](#)

[Presentation slide deck](#)

Bank confirmation process:

- The process for confirming bank account balances is similar to prior year. The process will require an authorised Council staff member approving the release of the bank confirmation via the online platform. This process will be managed by your auditor (either VAGO or our audit service providers) where relevant.

Remote auditing:

- Find attached 'Tips to get ready for a remote audit' for your consideration.

Kind regards, Sanchu

This email is sent to audit committee members, senior management in local government sector, LGV and FinPro. This email with additional audit related matters will also be forwarded to our audit service providers (ASPs). Feel free to pass this information to anyone who will benefit from it.

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