Report on the significant matters raised in the 2017/2018 Audit Report

The Independent Auditor's Report provided by the Auditor General states;

"In my opinion the annual financial report for the City of Rockingham:

(i) is based on proper accounts and records; and

(ii) fairly represents, in all material aspects, the results of the operations of the City 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 inconsistent with the Act, Australian Accounting Standards."

The following significant matters were also raised in the Audit Report;

"In my opinion, the following material matters indicate significant adverse trends in the financial position or the financial management practices of the City:

a. The Asset Sustainability Ratio has been below the Department of Local Government, Sport and Cultural Industries (DLGSCI) standard for the past two years.

b. The Operating Surplus Ratio has been below the DLGSCI standard for the past three years."

A review of the Asset Sustainability Ratio and Operating Surplus Ratio identified that the adverse trends were due to the significant depreciation expense included in the City's financial statements.

The depreciation rates were based on historic anticipated useful life assumptions that did not reflect the current anticipated useful life of assets determined during the asset revaluation process. The depreciation rates used by the City were also higher than those used by other comparable local governments.

The City has reviewed the depreciation rates and aligned them with the asset revaluation assumptions.

As the City has over $2.1 Billion in assets, the result of the revised depreciation rates would have been a decrease in the non-cash depreciation expense from over $71 million to under $30 million.

The revised depreciation expense would have resulted in an Asset Sustainability Ratio and Operating Surplus Ratio that will meet or exceed the DLGSCI standards for these ratios.

The revised depreciation rates have been implemented for the 2018/2019 financial year and it is anticipated that these financial ratios will meet or exceed the DLGSCI standards in the financial statements for the year ended 30 June 2019.