



**Shire of Derby /
West Kimberley**

AGENDA

Special Audit Committee Meeting Thursday, 27 May 2021

I hereby give notice that a Audit Committee Meeting will be held on:

Date: Thursday, 27 May 2021

Time: 4:30pm

**Location: Council Chambers
Clarendon Street
Derby**

Amanda O'Halloran

Chief Executive Officer



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1 DECLARATION OF OPENING, ANNOUNCEMENT OF VISITORS**2 ATTENDANCE VIA TELEPHONE/INSTANTANEOUS COMMUNICATIONS**

In accordance with regulation 14A of the Local Government (Administration) Regulations 1996 Council must approve (by Absolute Majority) the attendance of a person, not physically present at a meeting of Council, by audio contact. The person must be in a 'suitable place' as approved (by absolute majority) by Council. A 'suitable place' means a place that is located in a townsite or other residential area and 150km or further from the place at which the meeting is to be held.

3 ANNOUNCEMENTS BY PRESIDING PERSON WITHOUT DISCUSSION**4 DISCLOSURE OF INTERESTS**

Section 5.65 and 5.70 of the *Local Government Act 1995* requires an Elected Member or officer who has an interest in any matter to be discussed at a Committee/Council Meeting that will be attended by the Elected Member or officer must disclose the nature of the interest in a written notice given to the Chief Executive Officer before the meeting; or at the meeting before the matter is discussed.

An Elected Member who makes a disclosure under section 5.65 or 5.70 must not preside at the part of the meeting relating to the matter; or participate in; or be present during, any discussion or decision making procedure relating to the matter, unless allowed by the Committee/Council. If Committee/Council allow an Elected Member to speak, the extent of the interest must also be stated.

4.1 Declaration of Financial Interests**4.2 Declaration of Proximity Interests****4.3 Declaration of Impartiality Interests**

5 REPORTS

5.1 2020/21 AUDIT PLANNING MEMORANDUM

File Number: 4105

Author: Alan Lamb, Director of Corporate and Community Services

Responsible Officer: Amanda O'Halloran, Chief Executive Officer

Authority/Discretion: Information

SUMMARY

The Auditor General of WA has appointed RSM Australia to conduct this Shire's interim and annual audits for the next three years. This report introduces the Audit Planning Memorandum which will be put to the committee by David Wall and Krushna Hirani (via telephone)

DISCLOSURE OF ANY INTEREST

Nil

BACKGROUND

Prior to 2017, Local Government Council's appointed suitably qualified persons to conduct the required annual audit processes. Schedule 9.3, Transitional provision, Division 4 of the Local Government Act, Local Government Amendment (Auditing) Act 2017 provided that existing audit contract could be ceased after completion of the 2017/18 audit. If the Local Government (LG) did not terminate existing agreements after that date, the legislation provided that any contract in place was lawfully terminated on the completion of the 2019/20 audit.

The Office of Auditor General (OAG) was appointed by the State to conduct LG audits. The OAG did not have sufficient staff to conduct the field and other associated work so appointed a number of audit firms to provide audit services to the Auditor General (AG).

In 2019/20, the OAG provided audit services to this Shire and appointed RSM Australia to assist it. RSM was recently appointed for a three year term to continue to provide the OAG with audit services at this Shire (Copy of letter attached).

The starting point for the annual audits now include an Audit Planning Memorandum – an agreement between the Shire and the OAG's contractor, RSM, setting out responsibilities and the like.

STATUTORY ENVIRONMENT

The Local Government Act 1995 and Local Government (Audit) Regulations 1996 have application.

POLICY IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

The Shire and OAG entered into an agreement (copy attached) which, among other things, provided that the audit fee would be set by the OAG, in accordance with the LG Act. That it would provide an indicative audit fee in the first quarter of the calendar year. That this indication would be based on full cost recovery and a number of assumptions. Also that the fee may be increased if

there are additional costs due to matters such as poor quality financial reports and supporting papers.

The author is not aware of any OAG notification about fees for the 2021/22 audit and so the cost is not known at this time. The intention is to follow up on this for the 2021/22 budget.

STRATEGIC IMPLICATIONS

GOAL	OUTCOME	STRATEGY
Good governance and an effective organisation	Effective governance and leadership	Ensure governance policies and procedures are in accordance with legislative requirements

RISK MANAGEMENT CONSIDERATIONS

RISK	LIKELIHOOD	CONSEQUENCE	RISK ANALYSIS	MITIGATION
Financial: The audit should provide Council information on any issues with financial control and compliance	Possible	Moderate	Medium	Administration employs a number of standard fraud avoidance processes such as employing a number of checks. Employment of qualified and experienced staff in key areas, and the use of external assistance/ advice are two ways in which sound financial management and compliance are addressed.

CONSULTATION

The author has communicated with RSM, the CEO and other Shire staff.

COMMENT

Mr David Wall and Mr Krushna Hirani will address the committee on the audit plan for 2020/21. Note that the plan features the audit being completed by November 2021

VOTING REQUIREMENT

Simple majority

ATTACHMENTS

1. OAG/Shire audit agreement [!\[\]\(5d60fe8e38bc12bfb78103fc624e324c_img.jpg\)](#) [!\[\]\(ffcc3930f6e82d7cb586237ada9d3332_img.jpg\)](#)
2. OAG appointment of audit contractor [!\[\]\(643201da8ca427135d452a5259d9e20e_img.jpg\)](#) [!\[\]\(4c625d6c32d16066b13eb52e34c8435a_img.jpg\)](#)

3. Audit Planning Memorandum  

RECOMMENDATION

That Council:

- 1. Receives the Audit Planning Memorandum for the 2020/21 audit process as presented and explained by Mr David Wall and Mr Krushna Hirani**
- 2. Authorises the Chief Executive Officer to sign the Memorandum**



Our Ref: 8294

7th Floor, Albert Facey House
469 Wellington Street, Perth

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Chief Executive Officer
Shire of Derby-West Kimberley
30 Loch Street
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DERBY WA 6728

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PERTH WA 6849

Tel: (08) 6557 7500
Fax: (08) 6557 7600
Email: info@audit.wa.gov.au

Dear Ms O'Halloran

**ARRANGEMENTS FOR THE AUDIT OF THE ANNUAL FINANCIAL REPORT OF
THE SHIRE OF DERBY-WEST KIMBERLEY**

I am writing to you to confirm arrangements for the annual audit of the Shire's annual financial report. This is an important part of the audit process because it helps to ensure that you are fully informed regarding our respective responsibilities under the engagement.

The responsibilities apply to audits for the current financial year, as well as to the audits for subsequent financial years, unless circumstances change, and are detailed in the Attachment.

It would be appreciated if you and the President, could confirm your acknowledgement of the responsibilities by signing and returning the Attachment.

Feel free to contact me on 6557 7714 if you would like to discuss this or any other matter in relation to the audit.

Yours faithfully

NAYNA RANIGA
ACTING SENIOR DIRECTOR
FINANCIAL AUDIT
14 February 2020

Attach

ATTACHMENT**RESPONSIBILITIES FOR THE AUDIT**

This document sets out the responsibilities for the audit of the annual financial report of the Shire of Derby-West Kimberley.

Objective and Scope of the Audit

Under the *Local Government Act 1995*, the Auditor General is to audit the accounts and annual financial report of the Shire of Derby-West Kimberley. The annual financial report comprises the Statement of Financial Position as at 30 June 2020, the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity, Statement of Cash Flows and Rate Setting Statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Chief Executive Officer. As a part of the audit, we also report on matters as detailed under Other Legal and Regulatory Requirements in the Reporting section of this document.

The objective of the audit is to obtain reasonable assurance about whether the annual 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 the Auditor General's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the financial report.

Responsibilities of the Auditor General and the Office of the Auditor General (OAG)

The audit will be conducted in the manner determined by the Auditor General in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements. As part of an audit in accordance with 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 the 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 of the financial report 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 Shire's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Shire's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report, as we cannot predict future events or conditions that may have an impact.
- 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.

ATTACHMENT

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed.

In carrying out the audit, the OAG will also adhere to the following principles and reporting obligations:

- the highest standards of ethical and personal behaviour are demonstrated
- the audit is approached in a fair and constructive way
- the audit is conducted and reported in an impartial manner
- matters of significance arising from the audit are collated and reported at a sector level to the Parliament.

Responsibilities of the Council and the Chief Executive Officer

We acknowledge that we are responsible for:

- (a) keeping proper accounts and records
- (b) the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995* (the Act), Local Government (Financial Management) Regulations 1996 and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards
- (c) such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error
- (d) providing you with:
 - (i) access to all information that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - (ii) additional information that you may request from us for the purpose of the audit; and
 - (iii) unrestricted access to staff and councillors of the Shire from whom you determine it necessary to obtain audit evidence.
- (e) the preparation of other information (i.e. financial or non-financial information (other than the financial report and the auditor's report thereon) included in the Shire's annual report) that is consistent with the financial report, and which does not contain any material misstatements.

As part of the audit process, we will also request, from the Chief Executive Officer and the finance manager, written confirmation concerning representations made to us in connection with the audit.

We look forward to the full cooperation from your staff during our audit.

Reporting*Annual Financial Report*

The Auditor General's auditor's report will be prepared in accordance with the *Local Government Act 1995*, Local Government (Audit) Regulations 1996 and Australian Auditing Standards and include the audit opinion on the annual financial report.

Other Legal and Regulatory Requirements

The Local Government (Audit) Regulations 1996 also require the auditor's report to include:

- a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government
- b) any material matters indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls in any other written law
- c) details of whether information and explanations were obtained by the auditor
- d) a report on the conduct of the audit
- e) the opinion of the auditor as to whether or not the asset consumption and asset renewal funding ratios in the annual financial report are supported by verifiable information and reasonable assumptions.

The form and content of the auditor's report may need to be amended in the light of our audit findings and future amendments (if any) to the Local Government (Audit) Regulations 1996.

The auditor's report will be sent to the CEO, President and the Minister for Local Government in accordance with the *Local Government Act 1995*.

ATTACHMENT**Management Letter**

Deficiencies in internal controls and other relevant matters identified during the audit will be included in a management letter sent to the CEO and President.

Audit Fee

The fee for the audit will be determined by the Auditor General in accordance with the *Local Government Act 1995*. We will provide you with an indicative audit fee in the first quarter of the calendar year. This indicative fee is an estimate based on full cost recovery and a number of assumptions. The fee may be increased if there are additional costs due to matters such as a poor quality financial report and supporting working papers, deficiencies in internal controls and delays in receiving information from Shire staff.

Publication of the Audited Annual Financial Report

The Shire is required by the *Local Government Act 1995* to publish its annual report, including the audited annual financial report and the Auditor General's auditor's report, on its official website. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by the Shire to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the Shire's web site is beyond the scope of our audit of the financial report. Responsibility for the electronic presentation of the financial report on the Shire's web site is that of the Council.

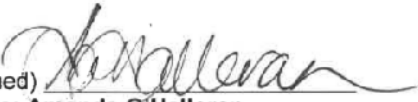
ACKNOWLEDGEMENT OF RESPONSIBILITIES FOR THE AUDIT

We acknowledge the responsibilities for the audit for the year ended 30 June 2020 and subsequent years as set out in this letter for the audit of the annual financial report, including our respective responsibilities as the President and the CEO.

(Signed) 

Name: Geoff Haerewa
President

Date 24/02/2020

(Signed) 

Name: Amanda O'Halloran
Chief Executive Officer

Date 19/2/2020.



Our Ref: 8294

Ms Amanda O'Halloran
Chief Executive Officer
Shire of Derby-West Kimberley

By email: ceo@sdwk.wa.gov.au
Cc: Geoff Haerewa, email: geoff.haerewa@sdwk.wa.gov.au



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Dear Ms O'Halloran

AUDIT FIRM APPROVED FOR AUDIT OF SHIRE OF DERBY-WEST KIMBERLEY ANNUAL FINANCIAL REPORT

Recently, my Office invited competitive proposals from accredited audit firms for the provision of professional services to conduct the annual financial audit of your local government on my behalf. I am pleased to advise that I have appointed RSM to conduct your annual financial audit for a 3 year period, commencing with the audit for the year ended 30 June 2021.

All Auditors General across Australia outsource a certain percentage of their audits to private firms. My Office currently outsources approximately 85% of local government sector financial audits and 65% of State sector financial audits. This brings many benefits to my Office and auditees including access to specialist knowledge and surge capacity to complete and report on all public sector audits in a timely manner. As you would be aware, my Office retains an active role in quality control and engagement throughout the audit process, and reports at a whole-of-sector level to the Parliament, community and other stakeholders.

Please note that under the contract between the Auditor General and the contracted auditor, RSM may not seek or undertake any other work for your local government during the term of the contract without my prior written consent. Any approval for other services would generally be limited to other assurance services commonly provided by an auditor, such as grant acquittal certification. Audit firms could not, for example, discharge or deliver financial management functions, as these services cause a self-review threat to the independence of the auditor.

My Office will write again shortly to advise you of your local government's indicative audit fee. This fee is calculated to cost-recover my Office's expenses in audit delivery, and includes OAG staff hours on the audit plus any directly related costs such as contract fees and travel expenses. Local government entities that we have audited in the first 3 years of transition have generally found our audit fees to be higher than they had paid previously. This is primarily because our financial audits are much broader in scope than was previously received by most local government entities, and we do not provide other services that may subsidise the audit fee. In addition to giving assurance on your local government's annual financial report, the audit will also provide greater transparency about financial controls, probity and governance matters, and enables our whole-of-sector parliamentary reporting and stakeholder liaison across the sector.

We look forward to working with you to promote accountability and transparency in the local government sector for the benefit of the community we jointly serve.

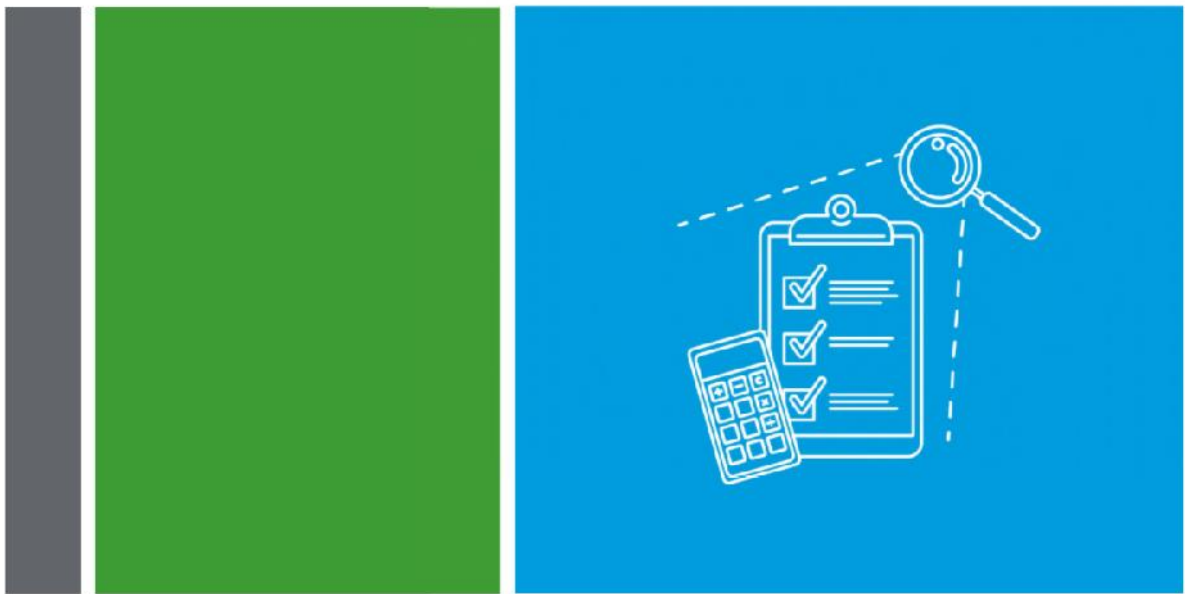
The contracted auditor will report to Kellie Tonich. Please feel free to contact Kellie Tonich on 6557 7525 or kellie.tonich@audit.wa.gov.au should you wish to discuss any matter in relation to your audit.

Yours sincerely



CAROLINE SPENCER
AUDITOR GENERAL
19 April 2021

ASSURANCE & ADVISORY SERVICES



SHIRE OF DERBY / WEST KIMBERLEY

Audit Planning Memorandum

30 June 2021

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING



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Shire of Derby / West Kimberley
Audit Planning Memorandum
30 June 2021

1 PURPOSE OF THE AUDIT PLANNING MEMORANDUM

The primary purpose of this Audit Planning Memorandum (**APM**) is to brief the Shire of Derby / West Kimberley (**Shire**) on the proposed approach by RSM Australia (**RSM**), on behalf of the Office of the Auditor General (**OAG**), to audit the financial report of the Shire for the year ending 30 June 2021. The APM forms the basis for discussion at the audit entrance meeting scheduled for 20 May 2021 and is a key tool for discharging our responsibilities in relation to communicating with those charged with governance.

2 KEY ENGAGEMENT INFORMATION

2.1 Key Shire stakeholders and personnel

Ratepayers	Shire of Derby / West Kimberley
Minister for Local Government	The Hon. John Newton Carey MLA
President	Cr Geoff Haerewa
Deputy President	Cr Paul White
Chief Executive Officer (CEO)	Amanda O'Halloran
Director of Corporate and Community	Alan Lamb

2.2 Key OAG personnel

Auditor General	Caroline Spencer
Senior Director, Financial Audit ⁽¹⁾	Kellie Tonich

2.3 Key RSM personnel

Audit Director ⁽¹⁾	David Wall
Audit Manager	Krushna Hirani
National Technical Director	Ralph Martin

⁽¹⁾ Refer to Appendix A for contact details

3 BACKGROUND AND GENERAL INFORMATION

3.1 Background

The Shire covers a vast area servicing 54 Aboriginal communities and three towns. Derby and Fitzroy Crossing being the main population centres with a third township at Camballin. Derby is the major centre of the Shire and this is where the main administration centre is located.

The Shire offers residents and visitors a unique environment to enjoy outdoor pursuits such as four-wheel driving, fishing and camping.

Derby is an important supply point for industries operating in the Kimberley region, such as pastoralism, mining, oil and tourism.

The Shire is represented by nine Councillors. The Shire President is elected from among the Councillors.

3.2 Executives

The Shire's Executive team⁽¹⁾ at the date of the APM are:

- Amanda O'Halloran, CEO
- Alan Lamb, Director of Corporate and Community Services
- Wayne Neate, Director of Technical and Development Services
- Neil Hartley, Director of Strategic Business

⁽¹⁾ As per the Shire's website

3.3 Governance

The Shire is governed by Council, which appoints the CEO to advise and provide information to Council in relation to the Shire's functions and ensures the resources of the Shire are effectively and efficiently managed.

3.4 Regulation

In terms of financial reporting, the Shire is subject to the *Local Government Act 1995 (Act)* and the *Local Government (Financial Management) Regulations 1996 (Financial Management Regulations)*.

4 KEY DELIVERABLES

4.1 Financial report audit and opinions

The annual financial report will be general purpose financial statements for the financial year ended 30 June 2021. The Auditor General is required by the Act to provide an opinion on the financial report and other legal and regulatory requirements in accordance with the *Local Government (Audit) Regulations 1996 (Audit Regulations)*. The objective of the Auditor General's audit is to obtain reasonable assurance about whether the Shire's financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report.

The Auditor General's report will be sent to Council, the CEO and the Minister for Local Government in accordance with the Act. The Shire is required to publish the auditor's report with the annual financial report on its website. If the Auditor General has reported other significant matters, then the Shire is required to report the action it has taken about the matters to the Minister and to publish a copy of that report on its website.

The Auditor General will also communicate with Council and the CEO regarding, among other matters, any significant findings regarding deficiencies in internal control that may be identified during the audit.

4.2 Management letters

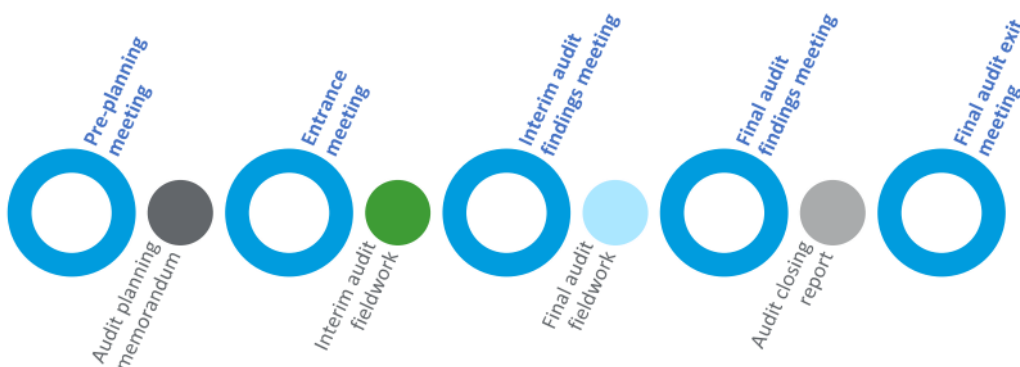
Significant findings, emerging issues and their recommended resolutions that arise during the audit will be progressively discussed and communicated by RSM and the OAG to the Shire. Any weaknesses in controls, which may be identified during the current year audit, will be highlighted in the management letter to Council and the CEO following the conclusion of the interim and final audits. The draft management letters will be reviewed by the OAG before being provided to the Shire for comment.

Prior year management letter points will be followed up as part of the current year audit procedures to determine if any control weaknesses highlighted during prior year audits have been properly resolved.

4.3 Matters of significance

In accordance with section 24(1) of the *Auditor General Act 2006*, the Auditor General is required to report on matters arising out of the performance of the Auditor General's functions that are, in the opinion of the Auditor General, of such significance as to require reporting.

5 MILESTONE MEETINGS



5.1 Pre-planning meeting

The pre-planning meeting was held with the Shire’s Administration, OAG (if required) and RSM. The meeting discussed current developments at the Shire and any changes in governance or systems. The meeting will form the basis for the preparation of the APM.

5.2 Entrance meeting

The entrance is held with the Audit Committee, the Shire’s Administration, OAG and RSM. The meeting mainly covers the presentation and discussion of the APM. If it is not practicable for the Audit Committee to meet for an audit entrance meeting, we suggest at least one Elected Member (the Chairperson of the Audit Committee) attends the entrance meeting.

5.3 Interim audit findings meeting

The interim audit findings meeting with the Shire’s Administration, OAG (if required) and RSM will mainly cover the presentation and discussion of the significant control matters as reported in the interim audit management letter, if any.

5.4 Final audit findings meeting

Significant accounting issues and audit findings, if any, noted during the final audit will be discussed with the Shire’s Administration, OAG (if required) and RSM. If there are significant, unresolved matters, then a meeting will also held with the Audit Committee.

5.5 Final audit exit meeting

The final audit exit meeting with Audit Committee, the Shire’s Administration, OAG and RSM will mainly cover the presentation and discussion of the audit closing report, which will outline any significant audit related matters concerning the financial report, management letters and improvement suggestions for future audits.

5.6 Council and Audit Committee meetings

Attendance at Council and Audit Committee meetings is by invitation and provides insight into matters that may impact on our audit approach. Generally, the OAG and RSM will attend Council and Audit Committee meetings as required.

6 TERMS OF ENGAGEMENT

6.1 Arrangements

Audits are not an absolute guarantee of the accuracy or reliability of the Shire's information and may not identify all matters of significance. This is because the work undertaken to form an opinion is permeated by judgement and most audit evidence is persuasive rather than conclusive. In addition, there are inherent limitations in any audit, including the use of testing, the effectiveness of internal control structures and the possibility of collusion.

Primary responsibility for the detection, investigation and prevention of irregularities rests with the Shire's Administration. Consequently, it is the Shire's Administration who remain responsible for keeping proper accounts and maintaining adequate systems of internal control, preparing and presenting the financial report, complying with the Act and the Financial Management Regulations.

Under the *Auditor General Act 2006*, audit staff have unrestricted access to information held by the Shire, irrespective of any restrictions on disclosures imposed, such as secrecy provisions.

Confidentiality of audit files and working papers is required under the *Auditor General Act 2006*. The OAG is an 'exempt agency' under the *Freedom of Information Act 1992*.

The signed contract between the Auditor General and RSM contains strict confidentiality clauses.

6.2 Management representation letter

The audit plan assumes that Council and the CEO will be able to sign a management representation letter. The OAG and RSM will make available to the Shire a draft management representation letter during the course of the audit. The letter would be signed at the same time as the annual financial report is signed.

RSM and the OAG will rely on Council and the CEO signing the management representation letter as evidence to confirm they have:

- Fulfilled their responsibilities for the preparation and fair presentation of the financial statements in accordance with the Act and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards;
- Established and maintained an adequate internal control structure and adequate financial records;
- Provided RSM with access to all information of which they are aware that is relevant to the preparation of the financial statements and the operation of controls, such as records, documentation and other matters;
- Recorded all transactions in the accounting and other records and are reflected in the financial statements;
- Advised RSM of all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements; and
- Provided RSM with the results of their assessment of the risk of fraud, any instances of fraud (not just material fraud) and any known data and security breaches.

7 AUDITOR GENERAL

7.1 Audit of local government

The *Local Government Amendment (Auditing) Act 2017* provides for the auditing of local governments by the Auditor General. The Act allows the Auditor General to contract out some or all the financial audits, but all audits will be the responsibility of the Auditor General. It also allows for performance audits, which will examine the economy, efficiency and effectiveness of any aspect of local government operations. The Act also places an obligation on local governments to publish their annual report, including their annual financial report and auditor's report, on their website.

The Auditor General has been given the mandate to:

- Audit the annual financial report of WA local governments, related entities and subsidiaries;
- Conduct performance audits of local governments;
- Perform supplementary audits requested by the Minister; and
- Report to Parliament on the results of financial and performance audits.

7.2 Auditor General audits and reports

During the current financial period, the OAG has issued a number of reports, which may be relevant for the Shire to consider:

- Waste Management – Service Delivery (issued 20 August 2020). The report noted the waste planning at a sample of six local governments is inadequate and inconsistent and there is a need to do more to manage waste in line with current community and State expectations.
- Annual Report 2019-2020 (issued 24 September 2020). The report acknowledged the challenges faced by local government due to COVID-19. The report also noted that local government financial audits continue to take more time than comparably sized State government audits.
- Grant Administration (issued 28 January 2021). The audit found that a sample of eight State entities need to improve their grant administration practices.
- Application Controls Audits 2021 (issued 9 March 2021). The audit found that a sample of four State entities could improve their controls around user access, vulnerability management and situational awareness to address cyber risks.
- Regulation and Support of the Local Government Sector (issued 30 April 2021). The audit found the Department of Local Government, Sport and Cultural Industries use of its limited resources is not underpinned by a good understanding of risk and clear objectives for the local government sector. Moreover, its performance in regulating and supporting the sector does not currently reflect the expectations of local government entities and their communities.

Further details of the current and forward audit program can be found on the OAG website:

<https://audit.wa.gov.au/>

Also, the OAG website has a library of better practice guidance that the OAG has developed to help the Western Australian public sector perform efficiently and effectively.

8 STAKEHOLDER RELATIONSHIP

8.1 RSM's relationship with the Auditor General and the Shire

RSM has been contracted by the Auditor General to perform the audit of the financial report of the Shire and report on whether the annual financial report of the Shire:

- Is based on proper accounts and records; and
- Fairly represents, in all material respects, the results of the operations of the Shire for the financial year and its financial position at the end of that period in accordance with the Act and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

RSM is also required by the Auditor General to report:

- Any material matters indicating non-compliance with Part 6 of the Act, the Financial Management Regulations or applicable financial controls of any other written law;
- Any significant adverse trends in the financial position of the Shire;
- Whether all required information and explanations were obtained;
- Whether all audit procedures were satisfactorily completed; and
- Whether the asset consumption ratio and asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.

RSM is also required to report any matter which may affect the Auditor General's responsibilities under sections 24 and 28 of the *Auditor General Act 2006*, section 7.12 AD of the Act and the Audit Regulations.

8.2 Term of the audit contract

RSM was appointed by the OAG commencing the financial year ending 30 June 2021. The initial term of the audit contract is 3 years commencing 30 June 2021.

RSM's services will be conducted under the overall direction of the Auditor General, who will retain responsibility for forming an audit opinion and issuing an audit report to the Shire. The contract requires RSM to use its audit approach and methodology.

8.3 Grant acquittals

Grants received by the Shire may need to be acquitted in accordance with the terms and conditions of the relevant Funding Agreement. Acquitting a grant means accurately reporting on the funded activities and the expenditure of the funding. Grant acquittal reports, providing activity and financial information, are generally required at certain stages during the funded project and / or on completion of the funded project. If satisfactory grant acquittal reports are not provided at the times and in the manner detailed in the Funding Agreement, there is a risk that any further payments due to the Shire will be withheld and the Shire may be ineligible to apply for further grants.

In most circumstances the grant acquittal reports are required to be audited. Generally, the Funding Agreement will require the Shire to engage an auditor to form an opinion that the receipts and payments are true and fair and that the Shire has complied with the terms and conditions of the Funding Agreement.

If RSM is invited by the Shire to complete the audit of grant acquittal reports, then RSM must first obtain approval from the OAG before the audit begins.

8.4 Independence

The Auditor General is an independent officer of the Western Australia Parliament, appointed under legislation to examine, on behalf of Parliament and Western Australia taxpayers, the management of resources within the public sector. The Auditor General is not subject to control or direction by either Parliament or the government. In conducting the audit, the Auditor General, staff and delegates will comply with all applicable independence requirements of the Australian accounting profession.

RSM International audit methodology requires that we conduct an annual re-evaluation of our independence prior to the commencement of each assignment. We have fully satisfied ourselves that we do not have any actual or perceived conflict of interest.

We are fully compliant with our Ethics and Independence Policies, which are verified and tested each year by our Partner Responsible for Ethics and Independence. Each year we are required to submit certain information to our Partner Responsible for Ethics and Independence, which is analysed and subjected to a series of stringent tests. This system has been extensively reviewed by the Australian Securities and Investments Commission and found to be in accordance with Australian Auditing Standards, the *Corporations Act 2001* and better practice.

9 CURRENT YEAR DEVELOPMENTS

We had discussions with the Shire's Administration and reviewed the 30 June 2020 financial statements. As at the date of this audit plan, we identified the following major developments:

9.1 Impairment assessment of infrastructure

In the prior year, the Shire recognised a significant impairment expense in relation to damaged infrastructure assets due to natural disasters. The Shire's Administration is still in the process of assessing the impact of additional damage caused. If required, the Shire will bring to account any necessary additional impairment adjustments to the carrying value of infrastructure assets.

RSM audit response:

RSM will obtain and review the Shire's assessment of the impairment recognised and ensure adequate disclosure in the notes to the financial statements.

9.2 COVID -19

We will work with the Shire's Administration to minimise the risk for your staff and Councillors, our staff, and to your operations, while completing audits in the best timeframe possible under the circumstances. This will likely involve more audit work being performed remotely rather than at your premises, and / or delaying audit work if unforeseen circumstances arise.

9.3 Auditing Accounting Estimates - ASA 540

The recently revised ASA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* has implications for the Shire and those responsible for financial statement preparation and the determination of accounting estimates. The key implications of the new standard means that the Shire will require more time to prepare sufficient appropriate documentation of the Shire's estimates and recognise that increased efforts may be required by auditors to audit the estimates. There is an expectation that the Shire will assist and review the level of detail and provide audit evidence available to support estimates within the financial statements along with an increase in audit effort. This will be achieved through two-way dialogue between auditors, management, and audit committees about the critical aspects of accounting estimates.

RSM audit response:

RSM will obtain further understanding over the control environment, risk assessment procedures, information systems, control activities and monitoring procedures during our audit procedures. Testing over how management made the accounting estimates will be performed by performing a retrospective review of past estimates and judgements, obtaining audit evidence up to the date of the auditor's report and by developing an auditor's point estimate or range (Three Testing Approach). Based on the information gathered, we will determine if there are indicators of possible management bias and if there are, the implications for the audit.

10 AUDIT APPROACH TO THE KEY AUDIT AREAS

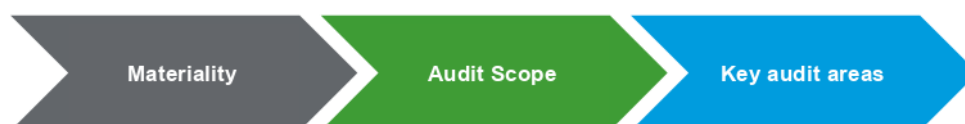
10.1 Risk assessment

Key audit areas are those areas that, in RSM's professional judgment, present the most significant risk in our audit of the financial report.

As part of our audit approach, we have conducted an initial financial report risk assessment to determine whether any of the risks identified are, in our judgment, significant. A significant risk is an identified and assessed risk of material misstatement in the financial report that, in our judgment is a key audit area and requires special audit consideration.

Our assessment of key audit areas is based upon:

- Discussions with the Shire's Administration and the OAG;
- The complexity of transactions within each area;
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of uncertainty;
- The degree of susceptibility to fraud risk; and
- Consideration of any relevant matters that may be discussed during the audit planning stage.



10.2 Materiality

For the purpose of this APM, we referred to the audited 30 June 2020 financial report of the Shire and used our professional judgment to determine a planning materiality amount. In line with OAG policy, we have not disclosed the amount of planning materiality.

The scope of our audit is influenced by the application of materiality. Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial report line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial report and on our opinion.

In assessing the risk profile of the Shire, and in consideration of the users of the financial report, we have adopted materiality guidelines in accordance with Australian Auditing Standards.

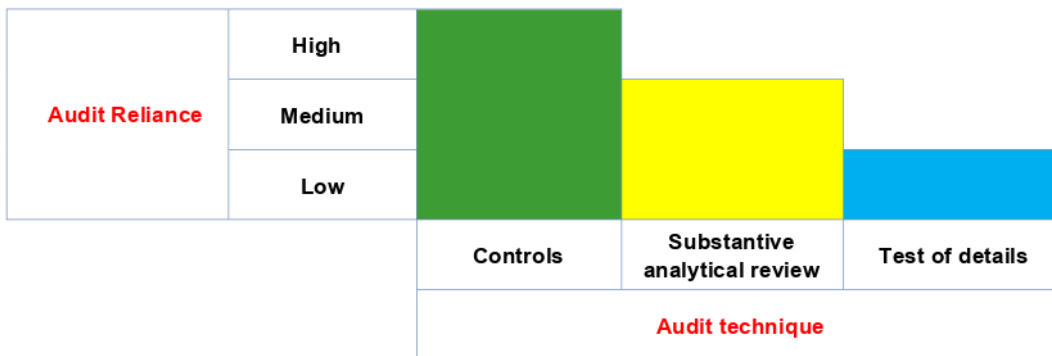
For the purpose of determining materiality, assets and infrastructure are considered a key metric of interest to the users of the financial statements, therefore, they will be used as the main benchmark for the calculation of overall materiality.

However, expenses are an item of significant interest to users of local government financial statements, as they seek to ensure funds are being spent appropriately. Therefore, we will consider a specific lower materiality for those account balances where there are circumstances (including qualitative factors) for which misstatements of lesser amounts than overall materiality could reasonably be expected to influence the economic decisions of users of the financial statements. For example, specific lower materiality will be calculated using total expenses as the benchmark for items such as revenue, other income, expenses, payroll and liability balances.

10.3 RSM approach to auditing significant risk

RSM's approach to auditing a class of transactions, account balance or disclosure is to initially assess whether there is a reasonable possibility that it could contain a material misstatement. Our risk assessment is based on both quantitative and qualitative criteria to determine whether they are significant.

Our audit strategy follows a hierarchy, which starts with testing of controls, then moves to substantive analytical review procedures and then finally testing of details. The following diagram shows an example where a high level of reliance on controls, along with a moderate level of reliance on substantive analytics is likely to result in testing of details that can safely rely on smaller sample sizes.



Based on our previous audit experience at the Shire and review of the Shire's financial information, we have concluded that we can rely on internal controls, which effectively means we can apply a moderate level of substantive analytics and limited testing of details. This controls based approach is both efficient and effective.

10.4 Professional scepticism

We approach all our audits with a degree of professional scepticism as required by Australian Auditing Standards. In addition, professional scepticism is a key component of delivering an effective public sector audit. *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* defines professional scepticism as 'an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence'.

Professional scepticism is particularly relevant in areas that involve Administration assumptions and/or estimates. It is also critical when evaluating audit evidence to reduce the risk of the auditor:

- Overlooking unusual circumstances; and
- Over generalising when drawing conclusions from observations using inappropriate assumptions in determining the nature, timing and extent of evidence gathering procedures and evaluating the results thereof.

11 SIGNIFICANT RISK AREAS

Using the 30 June 2020 financial report as a guide and referring to the RSM calculated materiality amount and risk assessment, RSM has identified the following potential significant risk areas for the current financial year:

Significant risk area	30 June 2020 \$	30 June 2019 \$
Revenue and receivables cycle		
Rates	7,342,404	6,861,475
Operating grants, subsidies and contributions	6,890,842	6,374,913
Fees and charges	4,028,832	3,874,461
Trade receivables (current and non-current)	3,824,167	4,178,303
Purchases and payment cycle		
Material and contracts	8,349,534	4,247,735
Property, Plant and Equipment (additions)	-	1,369,661
Infrastructure (additions)	4,090,009	9,362,389
Fixed assets cycle		
Property, Plant and Equipment	45,666,420	47,124,029
Infrastructure	149,684,526	163,369,168

11.1 Revenue and receivables cycle

Reasons why RSM considers this area a significant risk

Revenue is measured by considering multiple elements, for example rates transactions are calculated by the application of a rate in the dollar to the Gross Rental Value (**GRV**) or Unimproved Value (**UV**), which is in turn determined by dividing the required rate collection amount by the total valuations on the roll. GRV's and UV's vary between the various property types, such as mining and pastoral. The GRV / UV is supplied by Landgate. Furthermore, rates revenue represents a significant portion of the Shire's annual operating income and is an important revenue stream in terms of the Shire's cash flows.

Fees and charges are a material amount and is measured by the application of an annual charge to rateable land supplied with specified services. For example, community amenities and recreation and culture fees. There are also further complexities with the application of the eligible pensioners rebate scheme. In addition, further complexity and risk is associated with the requirement for the Shire to comply with Part 6, Division 6 'Rates and service charges' of the Act.

Grants are a material amount and is measured by the application of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*, which require the Shire's judgement and assessment in line with the relevant contract / agreement.

Based on the above complexities, and the high risk of management override, revenue recognition for fees and charges and grants is considered significant risk.

RSM audit response

RSM audit procedures will include, among other things, assessment of the Shire's effectiveness of key internal controls operating within the revenue cycle, including application controls. RSM will perform a walkthrough of the key management controls over the revenue cycle and test key management controls. RSM will review, on a sample basis, the reconciliations and calculation of fees and compare these against historical results. In order to assess the completeness of recording revenue in the correct accounting period, RSM will perform revenue cut-off testing and review credit notes. RSM will also ensure all revenue streams have been recognised in accordance with AASB 15 or AASB 1058.

To determine the existence of the receivable balance and the recoverability thereof as at 30 June 2021, and the impact on the Shire's assessment of its expected credit loss calculation, RSM will review receivables balances on a sample basis and perform subsequent receipt testing. Furthermore, we will perform analytical procedures on rates through detailed comparison with prior year balances and budget forecasts. RSM will also determine if the disclosures in the notes to the financial report related to the Shire's revenue recognition policy are appropriate.

11.2 Purchases and payment cycle

Reasons why RSM considers this area a significant risk

All procurement made by the Shire is subject to the requirements of the Act and Part 4 of the *Local Government (Functions and General) Regulations 1996 (Functions and General Regulations)*, which is the basis for the Shire's purchasing policy (**Policy**). The Act and the Functions and General Regulations are there to guide the Shire in delivering best practice in the purchasing of goods, services and works that align with the principles of transparency, probity and good governance. Errors, uncertainty and unrealistic timelines can undermine market confidence, discredit a purchasing process and devalue the outcome of the procurement. Due to the strict and complex requirements of the Policy, including value for money, regulatory compliance, record management, transparency and professionalism, there is potential for insufficient knowledge of the Policy's requirements or failure to comply with the Policy.

RSM audit response

RSM will review the Shire's purchasing policies and assess the effectiveness of internal controls operating within the payment cycle. In addition, we will perform a walkthrough of the key management controls over the purchase and payment cycle, including tendering, and perform tests of control on key management controls over the purchase and payment cycle. Furthermore, we will perform analytical procedures on procurement through detailed comparison with prior year balances and budget forecasts. Our testing will include an evaluation of whether the Shire's purchasing activities have complied with the Act and the Functions and General Regulations.

11.3 Fixed assets cycle

Reasons why RSM considers this area a significant risk

Property, Plant and Equipment and Infrastructure respectively constituted 22% and 73% of the Shire's total assets as at 30 June 2020. Under regulation 17A of the Financial Management Regulations, the Shire's Plant and Equipment type assets are to be measured under the cost model whereas Property and Infrastructure is to be carried at fair value less accumulated depreciation and accumulated impairment losses. Under regulation 17(4) of the Financial Management Regulations, the Shire is required to revalue an asset:

- Whenever the local government believes the fair value of the asset is likely to be materially different from its carrying amount; and
- In any event, within a period of not more than 5 years after the day on which the asset was last valued or revalued.

Furthermore, in accordance with paragraph 9 of AASB 136 *Impairment of Assets*, the Shire is required to assess at reporting date whether there is any indication that an asset may be impaired.

RSM audit response

We will carry out internal control testing over the Shire's processes for determining inputs and assessing the assumptions and reasonableness of the valuation methodology used for fair value measurements and perform detailed substantive testing on a sample basis of the related fair value measurements. Where appropriate, we will obtain the third-party independent valuation reports commissioned by the Shire.

We will review the Shire's assessment that the fair value of Property and Infrastructure assets is not likely to be materially different from their carrying amounts and the Shire's consideration of any potential impairment indicators. This will include a review of the infrastructure assets due for valuation in 2021.

12 OTHER CRITICAL DISCLOSURES IN THE FINANCIAL REPORT

RSM will also audit the following critical disclosures in the financial report:

12.1 Related party disclosures

The Shire is subject to the requirements of AASB 124 *Related Party Disclosures*. The Standard requires disclosures for senior officers' compensation and certain transactions with related parties. A review will be conducted to ensure proper accounting and disclosure of related party transactions and executive remuneration.

Further, section 7.12AL of the Act applies section 17 of the *Auditor General Act 2006* to a local government, which requires the Shire to advise the Auditor General in writing of details of all related entities that are in existence.

RSM audit response:

We will review the disclosures and supporting material to ensure compliance with AASB 124. We will also assess the Shire's internal controls around the identification and proper disclosure of related party transactions and director / executive remuneration.

12.2 Financial ratios

Under regulation 50 of the Financial Management Regulations, the annual report is to include financial ratios. Financial ratios are designed to enable users of annual financial reports to interpret more clearly the Shire's performance and financial results as well as provide a comparison of trends over several years.

These indicators provide a measure of the financial sustainability of local governments and complement the national criteria endorsed by the Local Government and Planning Ministers' Council. They provide for a comprehensive tool for monitoring the financial sustainability of local governments.

RSM audit response:

We will obtain and audit the ratios to assess compliance with regulation 50 of the Financial Management Regulations.

12.3 Capital and other commitments for expenditure

The Shire must disclose in the financial statements its capital and other commitments relating to future asset construction and replacements.

RSM audit response:

We will check the underlying calculations and review the evidence to support the amounts disclosed.

12.4 Reserve accounts

The Shire has established several reserve accounts under section 6.11 of the Act for the purpose of setting aside money for a specific purpose to be used in a future period. Cash reserves are required to be held in separate bank accounts. Although reserve accounts are aggregated in the statement of financial position, they are segregated in the notes to the financial statements as restricted (reserve funds).

RSM audit response:

RSM will review the reserve account reconciliations and test that the transfers to and from these accounts are in accordance with the specific purpose of the reserve.

12.5 Major land transactions

Regulation 46 of the Financial Management Regulations prescribes the disclosure requirement for major land transactions. The information to be disclosed by the Shire is set out in regulation 47 and includes:

- Details of the total income and expenditure for the transaction; and
- Details of the amount or value of any surplus of money or assets.

RSM audit response:

RSM will review the financial records of the Shire to assess whether all major land transactions have been identified and disclosed in accordance with regulation 47.

13 CONTROLS

13.1 Internal control

Internal controls are systems, policies and procedures that help an entity reliably and cost effectively meet its objectives. Sound internal controls enable the delivery of reliable, accurate and timely external and internal reporting. The Shire is responsible for developing and maintaining its internal control framework to enable:

- Preparation of accurate financial records and other information;
- Timely and reliable external and internal reporting;
- Appropriate safeguarding of assets; and
- Prevention or detection and correction of errors and other irregularities.

The annual financial audit enables RSM to form an opinion on the Shire's financial report. An integral part of this, and a requirement of Australian Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*, is to assess the adequacy of an organisation's internal control framework and governance processes related to its financial reporting. While this understanding has a significant impact on our audit strategy, our audit of the Shire's financial report is not designed to assess, nor do we provide an opinion on, the effectiveness of internal controls.

We focus on the internal controls relating to financial reporting and assess whether the Shire has managed the risk that the financial report will not be complete and accurate. Poor controls diminish Administration's ability to achieve the organisation's objectives and comply with relevant legislation. They also increase the risk of fraud.

During our planning procedures we will gain an understanding of the following components of internal control:

- Control environment
- Risk assessment procedures
- Information systems
- Control activities
- Monitoring procedures

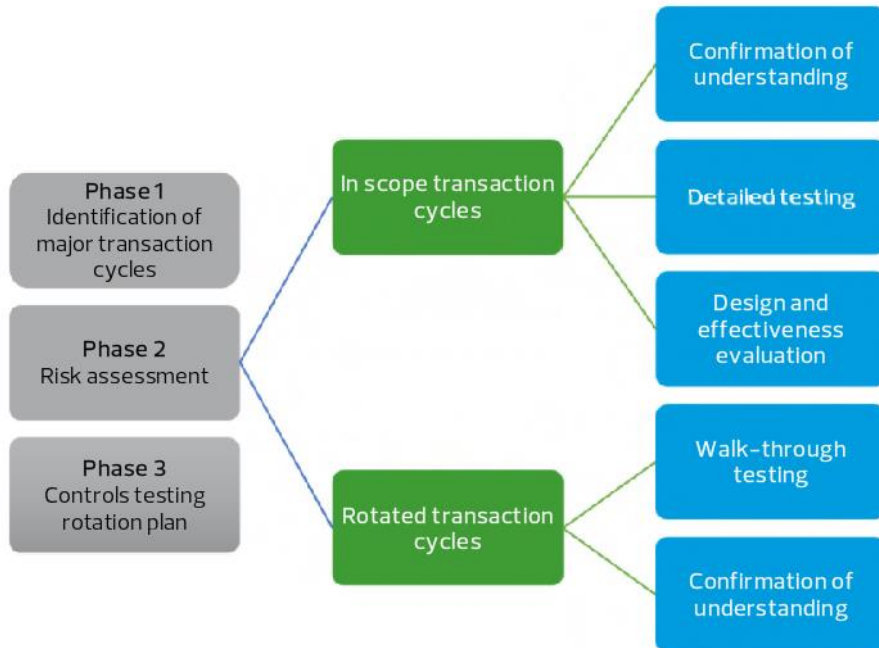
Our preliminary assessment of the internal control framework may indicate that the internal controls are likely to be effective in preventing or detecting and correcting material misstatements in the financial report. In these circumstances we would plan to place reliance on the key internal controls relating to the material components in the financial report to support our audit opinion.

13.2 Significant changes to internal controls

The Shire advised that there are no significant changes to internal controls for the 2021 financial year to date.

13.3 Rotation approach

In accordance with our rotational controls testing approach, we will conduct a risk assessment for each major transaction cycle during our initial engagement year. The risk assessment is benchmarked against our knowledge of each transaction cycle within the local government sector. Using the risk assessment, we design a control testing rotation plan that will bring certain transaction cycles into audit scope each year. Those cycles not in scope will be subject to our normal walkthrough procedures and confirmation of our understanding of the key controls.



During the current audit, we will use a rotation approach to test the design and effectiveness of key controls used in a sample of major transaction cycles linked to significant risk areas. Some transaction cycles will be rotated out and not subject to design and effectiveness testing. Instead, we will update our understanding of the controls and confirm our understanding using walk-through procedures.

RSM audit response:

During the current year audit, RSM will be testing controls over payroll and rotating out testing over the purchases cycle.

14 FRAUD RISK

Under Australian Auditing Standard ASA 240 *The Auditor's Responsibility Relating to Fraud in an Audit of a Financial Report*, when planning and performing audit procedures and evaluating the results, the auditor must consider the risk of material misstatement in the financial report because of fraud and error.

Although ASA240 sets out the principles and procedures we must follow, the primary responsibility for the prevention and detection of fraud and error rests with Council and the CEO. Council and the CEO is responsible for maintaining accounting records and controls designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial report.

Our audit procedures on fraud risk include the following:

- Forward a copy of the fraud control checklist for self-assessment to the Shire's Administration prior to our final audit visit. The checklist allows us to make inquiries of Administration, to obtain its understanding of the risk of fraud within the Shire and to determine whether Administration have any knowledge of fraud that has been perpetrated on or within the entity. We will review the fraud control self-assessment by the Shire;
- Review the Shire's fraud control procedures in place to reduce the risk of fraud occurring within the entity, including the Shire's code of conduct;
- Understand the Shire's fraud control environment;
- Understand the business rationale for significant or unusual transactions;
- Review current accounting estimates for biases;
- Review the appropriateness of year end accounting adjustments;
- Make enquiries of those charged with governance and others within the Shire;
- Incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures to be performed as individuals within the entity who are familiar with the audit procedures normally performed on engagements may be more able to conceal fraudulent financial reporting; and
- Understand the Shire's journal entry process and testing journal entries posted including the authorisation of journals.

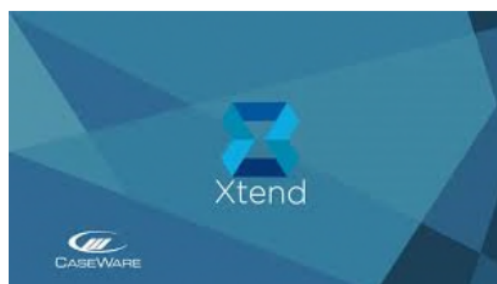
15 OTHER AUDIT MATTERS

15.1 Audit preparation checklists

To assist the Shire to gather and collate the necessary audit information and documentation, we will issue in advance of each audit visit an electronic Interim Audit Preparation Checklist and a Final Audit Preparation Checklist utilising CaseWare Xtend.

The benefits of CaseWare Xtend include:

- Securely request, file and store sensitive data within the audit engagement.
- Collaborate and communicate in real time, allowing for a more adaptable and transparent workflow.
- Manage requests in one centralised location that is readily accessible.
- Track the status of audit requests.



CaseWare Xtend will facilitate the delivery of an efficient audit and help to minimise interruptions to the Shire's staff.

We have found this facility to be very useful and clients have appreciated the savings in time and reduced disturbance by auditors during the audit fieldwork.

15.2 Internal audit

The Shire is not planning to perform any internal audit during the year ending 30 June 2021.

15.3 Important changes in governance, management or internal control environments

The Shire has advised that, other than those matters mentioned in the APM, there are no other major changes to its governance, management or internal control environment that may significantly impact the 30 June 2021 financial report.

15.4 Cumulative knowledge of accounting and computer systems and any expected changes

The Shire has represented that they are not aware of any significant changes to the accounting or computer systems.

16 INVOLVEMENT OF INFORMATION SYSTEMS AUDIT SPECIALIST

The financial management systems being used by the local government entities is varied, but there is a general reliance on "Synergy Soft". In some circumstances the information systems are integrated, whereas in others they are separate and rely on manual transfer of data between systems.

Due to the varying degree of financial system integration at each local government, RSM has assessed the information system environment as being sophisticated and we will engage an Information System Auditor (ISA) specialist to assess the risk of material misstatement imposed by the Information Technology (IT) environment at each local government.

The audit procedures conducted by the ISA will be:

- Testing general IT controls around system access and testing controls over computer operations within specific applications which are required to be operating correctly to mitigate the risk of misstatement in the financial statements;
- Reviewing the key controls around change management related to significant IT systems.

RSM complies with Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*. Our approach to information systems audit is to obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including (amongst others) how the information system captures events and conditions, other than transactions, that are significant to the financial statements.

17 TIMETABLE

Phase	Task	Indicative timeframe ⁽¹⁾	Action
Planning	Pre-planning meeting to review and update the overall audit approach and plan	30 April 2021	RSM
	Issue draft APM to the Shire for commentary	3 May 2021	RSM
	Entrance meeting with the Audit Committee, the Shire's Administration, OAG and RSM for the presentation and discussion of final APM	20 May 2021	RSM OAG Shire
Interim audit fieldwork	Issuing of Interim Audit Preparation Checklist to the Shire	10 May 2021	RSM
	Based on risk assessment, performance of cyclical controls testing, walkthrough of major business cycles and review of key reconciliation procedures for the 10 months ended 30 April 2021	31 May 2021	RSM
	Assessment of status of Management Letter points raised for the prior year		
Interim audit reporting	Interim audit findings meeting with the Shire's Administration, OAG and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any	14 June 2021	RSM OAG Shire
	Issue the draft Interim Audit Management Letter (if any) for the year ending 30 June 2021 to the OAG for consideration and comment	17 June 2021	RSM OAG
	Issue of the draft Interim Audit Management Letter (if any) to the Shire for consideration and comment.	23 June 2021	RSM Shire
	Return of draft Interim Audit Management Letter (if any) to RSM with commentary	5 July 2021	Shire
	Issue the Interim Audit Management Letter (if any) to the OAG	6 July 2021	RSM
Draft financial report	The Shire submits proforma financial report to RSM for review and comment. This will be in the form of the statutory model with the previous year's actuals displayed.	19 July 2021	Shire
	Shire to submit draft financial report as per the Act deadline.	27 September 2021	Shire

Phase	Task	Indicative timeframe ⁽¹⁾	Action
Final audit fieldwork	Issuing of Final Audit Preparation Checklist	30 July 2021	RSM
	Provision of trial balance as at 30 June 2021 to RSM	20 September 2021	Shire
	The Shire provides all information listed in the Final Audit Preparation Checklist	24 September 2021	Shire
	Performance of substantive tests for revenue and expenditure cycles for the 2 months ended 30 June 2021	28 September – 1 October 2021	RSM
	Performance of substantive tests for balance sheet accounts as at year end		
	Review of audit file by OAG	Early October 2021	OAG
Final audit reporting	Final audit findings meeting with the Shire's Administration, OAG and RSM to discuss any significant accounting issues and findings (if any) noted during the final audit. If there are significant, unresolved matters, then a meeting will also be held with the Audit Committee.	8 October 2021	RSM OAG Shire
	Issue the draft Final Audit Management Letter (if any) for the year ended 30 June 2021 to the OAG for consideration and comment	13 October 2021	RSM OAG
	Issue the draft Final Audit Management Letter (if any) for the year ended 30 June 2021 to the Shire for consideration and comment	15 October 2021	RSM Shire
	Return draft Final Audit Management Letter (if any) for the year ended 30 June 2021 to RSM with commentary	25 October 2021	Shire
	Issue the Final Audit Management Letter to the OAG	26 October 2021	RSM
	Preparation of OAG Signing Review Memorandum	27 October 2021	RSM
	Review of audit file by OAG	29 October 2021	OAG
	Audit Closing Report issued	2 November 2021	RSM
	Final audit exit meeting with Shire	11 November 2021	RSM OAG Shire
	Issue final Management Representation Letter and approve Financial Report	12 November 2021	Shire
	Independent Contract Auditor's Report issued	12 November 2021	RSM

Phase	Task	Indicative timeframe ⁽¹⁾	Action
	OAG to sign and issue the Audit Report	Within 5 working days of receiving the signed financial statements and reporting from RSM.	OAG

⁽¹⁾ The above dates are tentative at this stage and are subject to amendment as a result of staff availability from the Shire due to any COVID-19 restrictions.

18 APPENDIX A: ADDITIONAL INFORMATION CONTACTS

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6 NEW BUSINESS OF AN URGENT NATURE

7 DATE OF NEXT MEETING

The next meeting of Audit Committee will be held Thursday, 10 June 2021 in the Council Chambers, Clarendon Street, Derby.

8 CLOSURE OF MEETING