



**MINUTES**  
**AUDIT COMMITTEE MEETING**  
**held on**  
**Thursday, 21 May 2020**



WESTERN AUSTRALIA'S  
WILDFLOWER COUNTRY

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*No responsibility whatsoever is implied or accepted by the Shire of Morawa for any act, omission, statement or intimation occurring during Council or Committee Meetings. The Shire of Morawa disclaims any liability for any loss whatsoever and howsoever caused arising out of reliance by any person or legal entity on any such act, omission, and statement of intimation occurring during Council or Committee Meetings.*

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**Item 1 Opening of Meeting**

The Presiding Member declared the meeting open at 5.18pm.

**Item 2 Acknowledgement of Traditional Owners and Dignitaries**

The Presiding Member acknowledges the traditional custodians, the Yamatji people, and recognises the contribution of Yamatji elders past, present and future, in working together for the future of Morawa.

*This meeting was recorded on audio tape to assist with minute taking purposes. The public is reminded that in accordance with Section 6.16 of the Shire of Morawa Meeting Procedures Local Law 2012 that nobody shall use any visual or vocal recording device or instrument to record the proceedings of Council without the written permission of the presiding member.*

**Item 3 Recording of Attendance****3.1 Attendance****Committee Members**

President Councillor Karen Chappel (Presiding Member)  
Deputy President Councillor Dean Carslake  
Councillor Jane Coaker  
Councillor Debbie Collins  
Councillor Yvette Harris  
Councillor Shirley Katona  
Councillor Ken Stokes

**Staff**

Acting Chief Executive Officer	Robert Paull
Executive Manager Corporate & Community Services	John van der Meer
Economic Development Manager	Ellie Cuthbert
Executive Assistant	Rondah Toms

**3.2 Attendance by Telephone / Instantaneous Communications**

Nil

**3.3 Apologies**

Nil

**3.4 Approved Leave of Absence**

Nil

**3.5 Disclosure of Interests**

Nil

**Item 4 Applications for Leave of Absence**

Nil

**Item 5 Response to Previous Questions**

Nil

**Item 6 Questions from Members without Notice**

Nil

**Item 7 Announcements by Presiding Member without Discussion**

Nil

**Item 8 Declarations of All Members to have Given Due Consideration to All Matters Contained in the Business Paper before the Meeting**

The Elected Members declared that they had given due consideration to all matters contained in the agenda.

- President Councillor Karen Chappel
- Deputy President Councillor Dean Carslake
- Councillor Jane Coaker
- Councillor Debbie Collins
- Councillor Yvette Harris
- Councillor Shirley Katona
- Councillor Ken Stokes

**Item 9 Confirmation of Minutes of Previous Meeting****OFFICER'S RECOMMENDATION/RESOLUTION/RESOLUTION****200501 Moved: Cr Stokes Seconded: Cr Collins**

**That the Audit Committee Meeting Minutes held on Thursday, 16 April 2020 are confirmed to be a true and correct record.**

***CARRIED BY SIMPLE MAJORITY 7/0***

*Disclaimer*

*Members of the public are cautioned against taking any action on Council decisions, on items in this agenda in which they may have an interest, until formal notification in writing from the Shire has been received. Decisions made at this meeting can be revoked pursuant to the Local Government Act 1995.*

**Item 10 Reports of Officers****10.1 Morawa Swimming Pool Risk Assessment Report – Response from Royal LifeSaving WA**

**Author:** Executive Manager Corporate and Community Services

**Authorising Officer:** Acting Chief Executive Officer

**Disclosure of Interest:** The Author and the Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

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**OFFICER'S RECOMMENDATION/RESOLUTION/RESOLUTION**

**200502 Moved: Cr Stokes Seconded: Cr Collins**

**That with respect to the Morawa Swimming Pool Risk Assessment Report – Response from Royal LifeSaving WA the Audit Committee recommends to Council as follows:**

- 1. That Council notes the response from Royal LifeSaving WA.**

***CARRIED BY SIMPLE MAJORITY 7/0***

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**PURPOSE**

To provide a response to Committee from by Royal LifeSaving WA (RLSWA) with respect to the Morawa Swim Club accessing diving blocks for training and competition purposes.

**DETAIL**

This year, RLSWA assessed Morawa Public Swimming Pool Risk with regards to a broad range of safety and risk issues. In April 2020 RLSWA notified the Shire of a revised Risk Assessment report had a revised score of 98.37%. The Risk Assessment report was provided to Committee on 16 April 2020 Committee meeting with the following recommendation to Council:

*“That with respect to the updated Risk Assessment conducted by Royal LifeSaving WA the Audit Committee recommends to Council as follows:*

- 1. That Council notes the receipt of the revised Risk Assessment from Royal LifeSaving WA on 3 April 2020 with a score of 98.37%;*
- 2. Request the Chief Executive Officer to prepare an External Party and Location Hire Policy to be brought to Council for consideration; and*

3. *Request the Chief Executive Officer to seek written confirmation from by Royal LifeSaving WA to ensure that the Morawa Swim Club can continue to access the use of diving blocks for training and competition purposes.”*

At the Ordinary meeting held on 16 April 2020, Council endorsed the Committee Recommendation.

The Shire contacted RLSWA in relation to 3. of the Resolution with the following response:

*“Thankyou for the e-mail, yes you are correct we have made a slight adjustment (Typo Error) to the report to state in the details that the minimum depth that dive blocks can be used meets the 1.35M minimum requirements.*

*Dive blocks can still be used for competition and training purposes at the 1.85M end of the main 50M pool and can be removed or isolated from recreational use.*

*Below is some dive block and pool depth usage information from Royal Life Saving Australia Guide Lines For Safe Pool Operations*

**2.3 Water Depths**

2.3.1 The depth of a pool may vary depending upon the intended use of the pool. The following depths for intended activities should be as follows:

Options	Optimum Depth	Minimum
Lane Swimming and other competition disciplines	N/A unless for State/National Competitions	1m
Lane Swimming where Starting Blocks are in use for Competition / Training	2m	1.35m extending from 1m to at least 6m from the end wall A minimum of 1m elsewhere
Lane Swimming with Starting Blocks for Recreational Use	2m	2m

© Royal Life Saving Society – Australia 2017

Learn to Swim Pool	900mm to 1500m	900mm
Toddlers / Splash Pool	400mm (max)	400mm (max)
Program / Therapy Pool	900mm(	900mm(min) to 1500m (max)
Tarzan Ropes	3m	1.8m
Climbing Ropes or Cargo Nets	3m	2m
Flying Foxes	3m	2m
Water Slides	See Guidelines referring to Aquatic Amusement Devices	1m
Inflatables	3m	1.8m
Ramp Entry	900mm (min) to 1100m (max)	900mm (min) to 1100m (max)
Platform Swimming Pool lift	1300m (max) at point of entry	1300m (max) at point of entry
Sling Style Swimming Pool Lift	1300m (max) at point of entry	1300m (max) at point of entry

2.3.2 When a specific water depth is not nominated, the following calculation may be used to determine the minimum water depth for an activity:

Height above surface water level	1m	1.5m	2m	2.5m	3m	3.5m	4m	4.5m	5m
Water Depth	3.2m	3.3m	3.4m	3.45m	3.5m	3.6m	3.65m	3.7m	3.8m
Height above surface water level	5.5m	6.0m	6.5m	7m	7.5m	8m	8.5m	9m	9.5m
Water Depth	3.85m	3.9m	3.95m	4.0m	4.10m	4.2m	4.3m	4.4m	4.5m



*The Shire of Morawa should have access to the Guidelines via the hyper link portals sent previously please let us know if you have not been able to access the guidelines.”*

The Shire also sought comment from the Morawa Swim Club in relation to accessing diving blocks for training and competition purposes. The Swim Club advised that they were aware of the access limitations.

## **LEVEL OF SIGNIFICANCE**

High – compliance with standards is mandatory, however public safety at the Pool is paramount.

## **CONSULTATION**

Audit and Risk Committee  
Acting Chief Executive Officer  
Pool Manager  
Morawa Swim Club  
RLSWA

## **LEGISLATION AND POLICY CONSIDERATIONS**

*Health (Aquatic Facilities) Regulations 2007  
Department of Health (WA) – Code of Practice for the operation of Aquatic Facilities  
RLSSA Pool Safety Guidelines*

There is no Council Policy that applies to the Public Swimming Pool in Morawa.

## **FINANCIAL AND RESOURCES IMPLICATIONS**

Limited - as many of the recommendations have been funded by the operational budget of the pool.

## **STRATEGIC AND SUSTAINABILITY IMPLICATIONS**

*Shire of Morawa Community Strategic Plan 2018-2028*

**Outcome 4.3** A local government that is respected, professional and accountable.

**Outcome 4.5** Long term financial viability.

## **RISK MANAGEMENT CONSIDERATIONS**

*Shire of Morawa Risk Management Governance Framework*

Appropriate governance of risk management within the Shire of Morawa provides:

- Transparency of decision making.

- Clear identification of the roles and responsibilities of the risk management functions.
- An effective Governance Structure to support the risk framework.

Compliance with the standards ensures efficient, effective and low risk operations of the swimming pool regarding staff and visitor safety.

**CONCLUSION**

Committee is requested to recommend Council notes the response from Royal LifeSaving WA.

**ATTACHMENTS**

Nil

**10.2 Audit Planning Memorandum**

**Author:** Executive Manager Corporate and Community Services

**Authorising Officer:** Acting Chief Executive Officer

**Disclosure of Interest:** The Author and the Authorising Officer declare that they do not have any conflicts of interest in relation to this item.

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**OFFICER'S RECOMMENDATION/RESOLUTION/RESOLUTION**

**200503 Moved: Cr Carslake Seconded: Cr Coaker**

That with respect to Audit Planning Memorandum, the Audit Committee recommends to Council as follows:

1. That Council notes the Audit Planning Memorandum (as per Attachment 10.2A).

**CARRIED BY SIMPLE MAJORITY 7/0**

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**PURPOSE**

The Report seeks to make the Audit Committee aware of the auditing arrangements for the period ending 30 June 2020, commencing with the Audit Planning Memorandum (APM).

**DETAIL**

RSM Australia (RSM) was appointed the Shire's auditor by the Office of the Auditor General (OAG), to audit the financial report of the Shire for the year ending 30 June 2020. The APM will seek to establish the following 'key deliverables':

1. *Financial report audit and opinions*

The annual financial report will be general purpose financial statements for the financial year ended 30 June 2020. 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, 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.

2. Management letters

Significant findings, emerging issues and their recommended resolutions that arise during the audit will be progressively discussed and communicated by RSM firstly to the OAG, then Council and the CEO. 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.

3. Matters of significance

In accordance with s.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.

## LEVEL OF SIGNIFICANCE

High – requirement under *Local Government (Audit) Regulations 1996*.

## CONSULTATION

Shire President

## LEGISLATION AND POLICY CONSIDERATIONS

*Local Government Act 1995*

*Local Government (Administration) Regulations 1996*

*Local Government (Rules of Conduct) Regulations 2007*

*Local Government (Audit) Regulations 1996*

14. *Compliance audits by local governments*

- (1) *A local government is to carry out a compliance audit for the period 1 January to 31 December in each year.*
- (2) *After carrying out a compliance audit the local government is to prepare a compliance audit return in a form approved by the Minister.*
- (3A) *The local government's audit committee is to review the compliance audit return and is to report to the council the results of that review.*
- (3) *After the audit committee has reported to the council under subregulation (3A), the compliance audit return is to be —*
  - (a) presented to the council at a meeting of the council; and*
  - (b) adopted by the council; and*
  - (c) recorded in the minutes of the meeting at which it is adopted.*

## FINANCIAL AND RESOURCES IMPLICATIONS

Related audit fees are incorporated into the Shire's Annual Budget. Implementing the recommendations of the Report that have financial impacts will be processed through normal budgetary processes.

## STRATEGIC AND SUSTAINABILITY IMPLICATIONS

*Shire of Morawa Community Strategic Plan 2018-2028*

**Outcome 4.3** A local government that is respected, professional and accountable.

**Outcome 4.5** Long term financial viability.

## RISK MANAGEMENT CONSIDERATIONS

*Shire of Morawa Risk Management Governance Framework*

Appropriate governance of risk management within the Shire of Morawa provides:

- Transparency of decision making.
- Clear identification of the roles and responsibilities of the risk management functions.
- An effective Governance Structure to support the risk framework.

## CONCLUSION

Committee is requested to recommend Council notes the Audit Planning Memorandum.

## ATTACHMENTS

*Attachment 10.2A – Audit Planning Memorandum*

**Item 11 Motions of Which Previous Notice Has Been Given**

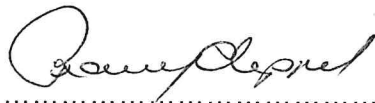
Nil

**Item 12 New Business of an Urgent Nature**

Nil

**Item 13 Closure**

There being no further business, the Presiding Member declared the meeting closed at 5.21pm.



..... Presiding Member

# ASSURANCE & ADVISORY SERVICES



## SHIRE OF MORAWA

**Audit Planning Memorandum - 30 June 2020**

**Final**

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## 1 PURPOSE OF THE AUDIT PLANNING MEMORANDUM

The primary purpose of this Audit Planning Memorandum (**APM**) is to brief the Shire of Morawa (**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 2020. The APM is a key tool for discharging the auditor's responsibilities in relation to communicating with those charged with governance.

## 2 KEY ENGAGEMENT INFORMATION

### 2.1 Key Shire stakeholders and personnel

Ratepayers	Shire of Morawa
Minister for Local Government	The Hon. David Templeman MLA
Shire President	Karen Chappel
Acting Chief Executive Officer ( <b>CEO</b> )	Robert Leslie Paull
Deputy CEO / Executive Manager Corporate & Community Services	John van der Meer

### 2.2 Key OAG personnel

Auditor General	Caroline Spencer
Director, Financial Audit <sup>(1)</sup>	Subha Gunalan

### 2.3 Key RSM personnel

Audit Director <sup>(1)</sup>	David Wall
Audit Manager	Krushna Hirani
National Technical Director	Ralph Martin

<sup>(1)</sup> Refer to Appendix B for contact details

## 3 BACKGROUND AND GENERAL INFORMATION

### 3.1 Background

The Shire of Morawa is situated in the North Midlands area of Western Australia, approximately 370kms due north of Perth.

With a multi-million-dollar health centre, excellent education options and first-rate sporting facilities, Morawa's community services are also thriving. Predominantly an agriculturally based Shire, Morawa boasts excellent tourism facilities and attractions (particularly during the Spring wildflower season), a rich history, great business incentives and an active mining industry that has only recently been redeveloped.

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

### 3.2 Council and Executives

The Shire's Executive team at the date of this APM:

- Robert Leslie Paull, Acting CEO
- John van der Meer, Deputy CEO / Executive Manager Corporate and Community Services
- Ellie Cuthbert, Economic Development Manager
- Paul Buist, Executive Manager Works and Assets

### 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 2020. 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, 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 firstly to the OAG, then Council and the CEO. 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 will be with the Shire's management, OAG (if required) and RSM. The meeting will discuss 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 normally held with Council, CEO, Audit Committee, OAG and RSM. The meeting mainly covers the presentation and discussion of the APM. However, for this financial year, due to the resource constraints being experienced by the Shire from the COVID-19 crisis, the entrance meeting will not be formally conducted. Instead, the Shire has determined, and the OAG has agreed, that the preliminary discussions already held between the Shire and the auditors will take the place of the formal audit entrance meeting. The Shire plans to table the APM at a Council meeting.

### 5.3 Interim audit findings meeting

The interim audit findings meeting with the CEO, OAG 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 CEO, OAG and RSM. If there are significant, unresolved matters, then a meeting will also held with Council.

### 5.5 Final audit exit meeting

The final audit exit meeting with Council, 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.

Under the Act and associated regulations, Council and the CEO are responsible for keeping proper accounts and records, maintaining effective internal controls, preparing the annual financial report, and complying with the Act and associated regulations, and other legislative requirements.

Council and CEO are responsible for ensuring the accuracy and fair presentation of all information in its annual report, and that it is consistent with the audited annual financial report. We do not provide assurance over your annual report.

Council and the CEO also have responsibility for the prevention and detection of fraud or error. Council and the OAG should be informed immediately by management of any fraud or material errors. During the audit we will make inquiries with management about their process for identifying and responding to the risks of fraud, including management override. It should be noted that our audit is not designed to detect fraud. However, should instances of fraud come to our attention, we will report them to you.

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. Refer to Appendix A for a draft Management Representation letter. The letter would be signed at the same time as the annual financial report is signed.

RSM will rely on the President and 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* makes legislative changes to the Act to provide 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.

Parliament has appointed the Auditor General as it expects this will raise the standards of accountability for local governments to a level more consistent with public sector entities. This follows recommendations by the Public Accounts Committee and the Corruption and Crime Commission that the Auditor General be appointed the auditor of all local governments.

This change brings Western Australia in line with most other Australian jurisdictions and New Zealand.

### 7.2 Auditor General audits and reports

The Auditor General has completed, is undertaking or planning the following audits that may be relevant to local government:

- Controls over corporate credit cards (report issued 9 May 2018). Auditor General found that local governments generally managing credit cards well but identified some room for improvement.
- Timely payment of suppliers (report issued 13 June 2018). The Auditor General found that local governments are generally timely in paying suppliers, but recommended improvements.
- Local government procurement (report issued 11 October 2018). The Auditor General found that improvements are needed to strengthen local government procurement controls.
- Management of supplier master files (report issued 7 March 2019). The Auditor General found improvements are needed in the areas of policies or procedures and controls over creation or amendment of supplier master file records.
- Audit Results Report - Annual 2017-18 Financial Audits of Local Government Entities (report issued 7 March 2019). The Auditor General identified where improvements may be considered and where opportunities exist. One such stark governance-related opportunity relates to audit committees. The Auditor General also identified the need for more emphasis on auditor independence.
- Records management in local government (report issued 9 April 2019). The audit found that there is room to improve the implementation of recordkeeping plans and managing their records to promote accountable and transparent decision making.
- Information Systems Audit Report (report issued 15 May 2019). The audit found that the most common weaknesses related to poor contract management, policies, procedures and information security.
- Local government building approvals (report issued 26 June 2019). The audit found that local government entities conduct limited monitoring and inspections of building works, and that compliance issues were not always resolved quickly.
- Fraud prevention in local government (report issued 15 August 2019). The audit found that all the entities reviewed had some controls in place to prevent fraud, but many had not assessed their fraud risks and did not have comprehensive fraud management plans and programs.

- Verifying employee identity and credentials (report issued 19 June 2019). The audit found that all entities need to improve their practices for screening employees.
- Annual Report 2018-2019 (report issued 19 September 2019). The report noted the OAG's will continue to urge local government entities to develop a stronger commitment towards good and better practice rather than focusing on minimum compliance with their legislative responsibilities. The report also noted that that each local government audit takes more time than comparably sized State sector audits.
- Audit Results Report - Annual 2018-19 Financial Audits of Local Government Entities (report issued 11 March 2020). The report noted the Auditor General's concerning that 93 material matters of non-compliance were reported in the auditor's reports of 48 entities, and 823 significant or moderate weaknesses in financial management and information systems controls in the auditor's management letters.
- Local government waste management (tabling is expected in the second quarter of 2020).
- Management of contract extensions and variations (tabling is expected in the second quarter of 2020).
- Management of unauthorised discharge of minor pollutants (tabling is expected in the second quarter of 2020).
- Regulation of consumer food safety (tabling is expected in the second quarter of 2020).

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

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

Also, on the OAG website is 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 has been appointed by the OAG for the financial year ending 30 June 2020, which is the final year of the audit contract. 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 and reviewed the 30 June 2019 financial statements and the 30 June 2019 audit file to identify any significant matters that may affect the audit planning and process. As at the date of this audit plan, we identified the following major developments:

### 9.1 COVID-19

We will work with your management to minimise the risk for the Shire, your staff, 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 as and when unforeseen circumstances arise.

### 9.2 Income recognition

Implementation of AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* are effective from 1 July 2019.

#### AASB 15 Revenue from Contracts with Customers

New requirements for recognising revenue i.e. when performance obligations are satisfied. Critical elements that need to be satisfied:

- Agreement between parties must create 'enforceable' rights and obligations; and
- Entity's promise to transfer goods or services needs to be 'sufficiently specific' to be able to determine when the obligation is satisfied.

The impact of AASB 15 is being assessed by the Shire.

### AASB 1058 Income of Not-for-Profit Entities

Applies to transactions of not-for-profit entities where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives. Whether income is recognised and its timing will depend on whether a transaction gives rise to a performance obligation, liability or contribution by owners. Transactions include those where an entity acquires or receives an asset in exchange for no consideration (i.e. cash grants, taxes and rates).

The impact of AASB 1058 is being assessed by the Shire.

#### **RSM audit response:**

RSM will obtain and review the Shire's assessment of the impact of AASB 15 and AASB 1058 and ensure adequate disclosure in the notes to the financial statements.

### **9.3 Lease accounting**

Implementation of AASB 16 *Leases* is effective from 1 July 2019.

The distinction between operating leases and finance leases has been removed and requires all leases (except short term leases and leases of low value) to be recognised as lease assets and lease liabilities on the balance sheet. This will result in the grossing up of the balance sheet and higher expenses in the early years of the lease term. Lessor accounting remains similar to current practice (i.e. lessors continue to distinguish between operating leases and finance leases).

The Shire has indicated that the application of AASB 16 has assessed that, based on the number of operating leases held by the Shire, the impact is not expected to be material. The Shire expects to apply AASB 16 following the practical expedient permitted by the standard.

#### **RSM audit response:**

RSM will obtain the various material lease agreements and review the accounting treatment and related disclosures in the notes to the financial statements. We will also review the practical expedient option applied by the Shire to recognise the leases in the financial statements under AASB 16.

## **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:

- Discussion with the Shire 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

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.

For the purpose of this APM, we referred to the audited 30 June 2019 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.

## 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.

<b>Audit Reliance</b>	<b>High</b>			
	<b>Medium</b>			
	<b>Low</b>			
		<b>Controls</b>	<b>Substantive analytical review</b>	<b>Test of details</b>
<b>Audit technique</b>				

Based on 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 management 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 2019 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 2019 \$	30 June 2018 \$
<b>Revenue and receivables cycle</b>		
Rates	1,831,043	1,809,317
Fees and charges	812,972	852,875
Trade receivables (current and non-current)	694,478	1,300,676
<b>Purchases and payment cycle</b>		
Material and contracts	3,827,009	2,722,197
Property, Plant and Equipment (additions)	373,366	80,140
Infrastructure (additions)	1,126,057	1,343,703
<b>Fixed assets cycle</b>		
Property, Plant and Equipment	22,360,809	22,512,518
Infrastructure	47,450,053	47,544,308

### 11.1 Revenue and receivables cycle – rates / fees and charges / receivables

#### 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.

Based on the above complexities and the high risk of management override, revenue recognition for rates 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 rates 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.

To determine the existence of the receivable balance and the recoverability thereof as at 30 June 2020, 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 constitute 29% and 62% of the Shire's total assets as at 30 June 2019. Under regulation 17A of the Financial Management Regulations, the Shire's Property, Plant and Equipment 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 at least 3 years but 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.

Effective from 1 July 2018, regulation 17A (5) of the Financial Management Regulations provides that an asset is to be excluded from the assets of a local government if the fair value of the asset as at the date of acquisition by the local government is under \$5,000.

### **RSM audit response**

The Shire is not planning to revalue any classes of Property, Plant and Equipment or Infrastructure during the year ending 30 June 2020. Therefore, we will review the Shire's assessment that the fair value of Property, Plant and Equipment and Infrastructure assets is not likely to be materially different from their carrying amounts and the Shire's consideration of any potential impairment indicators.

We will review management's assessment of those assets below \$5,000, obtain and review the action taken by the Shire to expense these assets from the asset register and confirm that the local government is properly and accurately recording portable and attractive assets.

## **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 continues to be 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 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 will disclose in the financial statements several 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. However, reserve accounts are not separate funds and are consolidated with the municipal fund in the financial statements of the Shire.

#### **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 management'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

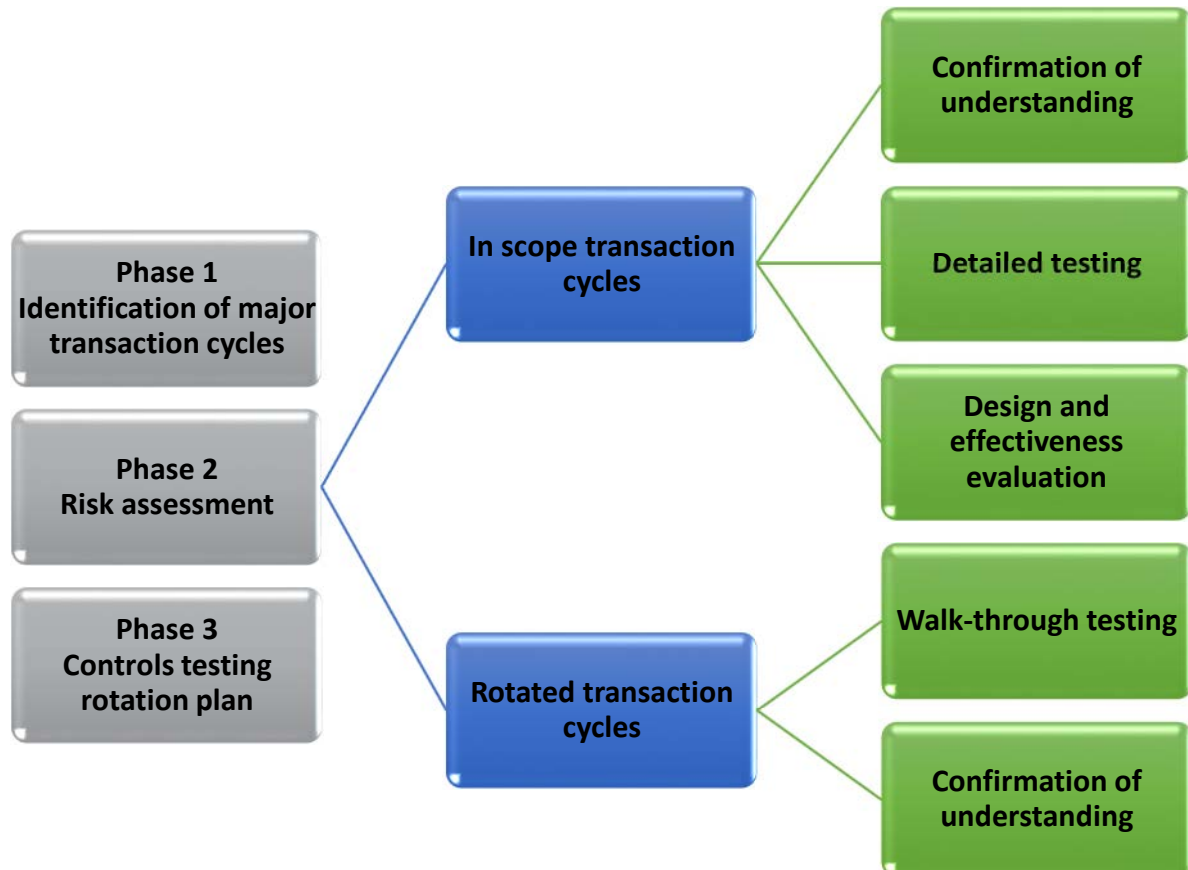
Our preliminary assessment of the internal control framework may indicate that the internal controls are likely to be effective in preventing or detecting and correcting material misstatements in the financial report. In these circumstances we would plan to place reliance on the key internal controls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

### 13.2 Significant changes to internal controls

The Shire has recently completed a regulation 17 Review and will be brought to the Audit Committee for adoption by the Council.

### 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.



Those transactions cycles in scope will be subject to detailed controls testing, including testing of the design and effectiveness of those controls.

#### RSM audit response:

During the current year audit, RSM will be testing controls over the revenue, purchases, property plant and equipment, and payroll cycles and rotating out testing over the cash and cash equivalents 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 management prior to our final audit visit. The checklist allows us to make inquiries of management, to obtain its understanding of the risk of fraud within the Shire and to determine whether management 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 management and others within the Shire; and
- 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.

## 15 OTHER AUDIT MATTERS

### 15.1 Internal audit

An effective internal audit function is important for ongoing maintenance and improvement of risk management, internal control overseen by an effective Audit Committee, and governance processes. The internal audit function acts as the independent eyes and ears for Council on administration and controls in key areas of risk.

Internal audit is a key component of the defence against fraud, including misrepresentation. Although the Shire's financial management governance and risk framework, and management oversight and monitoring are the initial lines of defence against fraud or error, internal audit is also a crucial component.

Subject to the requirements of Auditing Standard ASA 610 *Using the Work of Internal Auditors*, if we have satisfied ourselves regarding the competence and objectivity of Shire's internal audit function, we plan to rely on their work where possible. The use of the Shire's internal audit function may be used in the following ways:

- To obtain information that is relevant to RSM's assessments of the risks of material misstatement due to error or fraud; and
- As partial substitution for audit evidence to be obtained directly by RSM.

The responsibility for internal audit rests with Council and the CEO. The Shire has not performed any internal audits during the year ended 30 June 2020.

## 15.2 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 Interim Audit Preparation Checklist and a Final Audit Preparation Checklist. As the requested information will be an important part of our audit working papers, the information must be made available to RSM on the dates specified at section 17 of this APM. This will assist us in delivering an efficient audit and minimising interruptions to the Shire's staff.

We have established a fully secure data upload function, which is available to the Shire to file the documents and records we will need for our audit. 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.



## 15.3 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 2020 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 Shire's financial information system is not complex and there is no requirement for RSM to engage an Information System Audit specialist. RSM will conduct a high-level review of IT General Controls.

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 <sup>(1)</sup>	Action
<b>Planning</b>	<b>Pre-planning meeting</b> to review and update the overall audit approach and plan	24 March 2020	RSM
	Issue draft APM to the Shire for commentary	9 April 2020	RSM
	<b>Entrance meeting</b> with Council, CEO and Audit Committee for the presentation and discussion of final APM	N/A <sup>(2)</sup>	RSM Shire
<b>Interim audit fieldwork</b>	Issuing of Interim Audit Preparation Checklist to the Shire	17 April 2020	RSM
	Based on risk assessment, performance of cyclical controls testing, walkthrough of major business cycles and review of key reconciliation procedures for the 9 months ended 31 March 2020	9 – 12 June 2020	RSM
	Assessment of status of Management Letter points raised for the prior year		
<b>Interim audit reporting</b>	<b>Interim audit findings meeting</b> with Shire management, the OAG and RSM to discuss any significant control matters surrounding the major transaction cycles and content of the management letter, if any	19 June 2020	RSM OAG Shire
	Issue the draft Interim Management Letter to the OAG for consideration and comment.	24 June 2020	RSM OAG
	Issue of the draft Interim Audit Management Letter to the Shire for consideration and comment.	26 June 2020	RSM Shire
	Return of draft Interim Audit Management Letter to RSM with commentary	30 June 2020	Shire
	Issue the Interim Audit Management Letter to the OAG	3 July 2020	RSM
<b>Draft financial report</b>	The Shire submits shell financial report to RSM for review and comment	19 July 2020	Shire
	Shire to submit draft financial report as per the Act deadline.	25 September 2020	Shire
<b>Final audit fieldwork</b>	Issuing of Final Audit Preparation Checklist	31 July 2020	RSM
	Provision of trial balance as at 30 June 2020 to RSM	25 September 2020	Shire

Phase	Task	Indicative timeframe <sup>(1)</sup>	Action
	Performance of substantive tests for revenue and expenditure cycles for the 3 months ended 30 June 2020	29 September – 2 October 2020	RSM
	Performance of substantive tests for balance sheet accounts as at year end		
<b>Final audit reporting</b>	<b>Final audit closing meeting</b> with Shire management, the OAG and RSM to discuss any significant accounting issues and findings noted during the final audit. If there are significant, unresolved matters, then a meeting will also be held with Council and CEO.	XX October 2020	RSM OAG Shire
	Issue the draft Final Audit Management Letter for the year ended 30 June 2020 to the OAG for consideration and comment	XX October 2020	RSM OAG
	Issue the draft Final Audit Management Letter for the year ended 30 June 2020 to the Shire for consideration and comment	XX October 2020	RSM Shire
	Return draft Final Audit Management Letter for the year ended 30 June 2020 to RSM with commentary	XX October 2020	Shire
	Issue the Final Audit Management Letter to the OAG	XX October 2020	RSM
	Preparation of OAG Signing Review Memorandum	XX October 2020	RSM
	Review of audit file by OAG	XX November 2020	OAG
	Audit Closing Report issued	XX December 2020	RSM
	<b>Final audit exit meeting</b> with Shire	XX December 2020	RSM OAG Shire
	Issue final Management Representation Letter and approve Financial Report	XX December 2020	Shire
	Independent Contract Auditor's Report issued	XX December 2020	RSM
	OAG to sign and issue the Audit Report	XX December 2020	OAG

- (1) The above dates are tentative at this stage and are subject to amendment as a result of staff availability from the Shire and OAG due to the COVID-19 crisis.
- (2) The entrance meeting has been marked as Not Applicable (**N/A**) due to the resource constraints being experienced by the Shire from the COVID-19 crisis. The Shire has advised that the APM will be circulated to Council at the next meeting.

## 18 APPENDIX A: DRAFT MANAGEMENT REPRESENTATION LETTER

Our Ref:  
Your Ref:

Ms Caroline Spencer  
Auditor General  
Office of the Auditor General  
7<sup>th</sup> Floor, Albert Facey House  
469 Wellington Street  
PERTH WA 6000

Dear Ms Spencer

**REPRESENTATION LETTER IN RESPECT OF THE SHIRE OF MORAWA** REFERENCE SOURCE NOT FOUND. **ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020** REFERENCE SOURCE NOT FOUND.

This representation letter is provided in connection with your audit of the Shire's annual financial report for the year ended 30 June 2020 for the purpose of expressing an opinion as to whether the annual financial report is fairly presented in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

We submit the following representations for the year ended after making appropriate enquiries and according to the best of our knowledge and belief. This representation covers all material items in each of the categories listed below.

### 1. GENERAL

- (a) We have fulfilled our responsibilities for the preparation and fair presentation of the annual financial report in accordance with the *Local Government Act 1995* (the Act), the *Local Government (Financial Management) Regulations 1996* and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.
- (b) We have advised your auditors of all material contentious methods used in the presentation of the financial report.
- (c) There have been no changes in accounting policies or application of those policies that would have a material effect on the financial report, except as disclosed in Note XX to the financial report.
- (d) The prior period comparative information in the financial report has not been restated except as disclosed in Note XX to the financial report.
- (e) Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We confirm the disclosures related to accounting estimates are complete and appropriate.
- (f) We have established and maintained an adequate internal control structure and adequate financial records as we have determined are necessary to facilitate the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

- (g) We have provided your auditors with
- (i) Access to all information of which we are aware that is relevant to the preparation of the financial report, such as records, documentation and other matters.
  - (ii) Additional information that your auditors have requested for the purpose of the audit.
  - (iii) Unrestricted access to staff and councillors of the Shire from whom your auditors determined it necessary to obtain audit evidence.
- (h) All transactions have been recorded in the accounting and other records and are reflected in the financial report.
- (i) All internal audit reports and reports resulting from other management reviews, including legal issues and legal opinions which have the capacity to be relevant to the fair presentation of the financial report including, where relevant, minutes of meetings, have been brought to your auditors' attention and made available to them.
- (j) We have advised your auditors of all known instances of non-compliance or suspected non-compliance with laws and regulations, and all known data or security breaches whose effects should be considered when preparing the financial report.
- (k) We have provided to your auditors the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
- (l) No frauds or suspected frauds affecting the involving:
- (i) Management;
  - (ii) Employees who have significant roles in internal control; or
  - (iii) Others

have occurred to the knowledge of management.

[OR]

We have provided information to your auditors of our knowledge of fraud or suspected fraud affecting the involving:

- (i) Management;
- (ii) Employees who have significant roles in internal control; or
- (iii) Others.

A summary of these is *provided below/attached*.

- (m) To our knowledge no allegations of fraud or suspected fraud affecting the Shire's financial report has been communicated to us by employees, former employees, analysts, regulators or others.

[OR]

We have provided information to your auditors of our knowledge of any allegations of fraud or suspected fraud affecting the Shire's financial report communicated by employees, former employees, analysts, regulators or others.

Details are *as follows/attached*.

- (n) We have disclosed to your auditors all known actual or possible litigation and claims whose effects should be considered when preparing the financial report, and they have been accounted for and disclosed in accordance with Australian Accounting Standards.

## **2. FAIR VALUE MEASUREMENTS AND DISCLOSURES**

We confirm that where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is the fair value.

We confirm that the carrying amount of each physical non-current asset does not materially differ from its fair value at the end of the reporting period. Significant fair value assumptions, including those with high estimation uncertainty, are reasonable.

We confirm the measurement methods, including related assumptions, used by management in determining fair values are appropriate and have been consistently applied.

We confirm that the fair value disclosures in the financial report are complete and appropriate.

## **3. GOING CONCERN**

We confirm that the going concern basis of accounting is appropriate for the annual financial report.

## **4. CONTINGENT LIABILITIES**

There are no material contingent liabilities at year end that have not been completely and adequately disclosed in the Notes to the financial report.

## **5. COMMITMENTS FOR CAPITAL AND OTHER EXPENDITURE**

Other than those commitments reported in the Notes to the financial report, there were no significant commitments for capital or other expenditure contracts carrying over at year end.

## **6. FINANCIAL LIABILITY FOR CONTAMINATED SITES**

We are aware of our obligations under the *Contaminated Sites Act 2003* and have reported to the Department of Water and Environmental Regulation, all land owned, vested or leased by the Shire that is known to be, or is suspected of being, contaminated. All actual liabilities or contingent liabilities, if any, have been recognised and/or disclosed in the financial report as appropriate.

## **7. RELATED ENTITIES**

We acknowledge our responsibility under section 17(1) of the *Auditor General Act 2006* (as applied by section 7.12AL of the *Local Government Act 1995*) to give written notice to the Auditor General if any of the Shire's functions are being performed in partnership or jointly with another person or body, through the instrumentality of another person or body, and/or by means of a trust. We confirm that we have provided the Auditor General with details of all related entities in existence at 30 June 2020.

## **8. RELATED PARTIES**

We have disclosed to your auditors the identity of the Shire's related parties, as defined in Australian Accounting Standards, of which we are aware, and all the related party relationships and transactions of which we are aware. These include the Shire's key management personnel (KMP) and their related parties, including their close family members and their controlled and jointly controlled entities.

We have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of Australian Accounting Standards.

## **9. KEY MANAGEMENT PERSONNEL COMPENSATION**

We confirm the Shire's key management personnel (KMP) have not received any other money, consideration or benefit (except amounts being reimbursements for out of pocket expenses) which has not been included in the compensation disclosed in the Notes to the financial report.

**10. SUBSEQUENT EVENTS**

All events subsequent to the date of the financial report and up to the date of this letter for which Australian Accounting Standards require adjustment or disclosure, have been adjusted or disclosed.

[OR]

No matters or occurrences have come to our attention between the date of the financial report and the date of this letter which would materially affect the financial report or disclosures therein, or which are likely to materially affect the future results or operations.

**11. INTERNAL CONTROL**

We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

**12. INSURANCE**

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks are adequately covered by insurance.

**13. RISK MANAGEMENT**

We confirm that we have established and maintained a risk management framework that is appropriate to the Shire.

**14. FINANCIAL RATIOS**

We confirm that the financial ratios included in the annual financial report have been prepared and fairly presented in accordance with the *Local Government (Financial Management) Regulations 1996*.

We confirm that the asset consumption ratio and the asset renewal funding ratio are supported by verifiable information and reliable assumptions.

**15. ACCOUNTING MISSTATEMENTS**

There are no uncorrected misstatements in the financial report

[OR]

The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial report taken as a whole. A summary of these uncorrected misstatements is listed below.

Account	Reported balance	Actual balance	Variance

## 16. ELECTRONIC PRESENTATION OF THE AUDITED ANNUAL FINANCIAL REPORT AND AUDITOR'S REPORT

- (a) We acknowledge that we are responsible for the electronic presentation of the annual financial report.
- (b) We will ensure that the electronic version of the audited annual financial report and the auditor's report presented on the Shire's website is the same as the final signed versions of the audited annual financial report and the auditor's report.
- (c) We have clearly differentiated between audited and unaudited information in the construction of the Shire's website and understand the risk of potential misrepresentation in the absence of appropriate controls.
- (d) We have assessed the security controls over the audited annual financial report and the auditor's report and are satisfied that procedures in place are adequate to ensure the integrity of the information provided.
- (e) We will ensure that where the auditor's report on the annual financial report is provided on the website, the annual financial report is also provided in full.

## 17. OTHER (UNAUDITED) INFORMATION IN THE ANNUAL REPORT

We will provide the final version of the annual report to you when available, to enable you to complete your required procedures.

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**Council**

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**Date**

NAME:

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**Chief Executive Officer**

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**Date**

NAME:

## 19 APPENDIX B: ADDITIONAL INFORMATION CONTACTS

<b>David Wall</b>	<b>Subha Gunalan</b>
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