



Shire of Northam  
*Heritage, Commerce and Lifestyle*

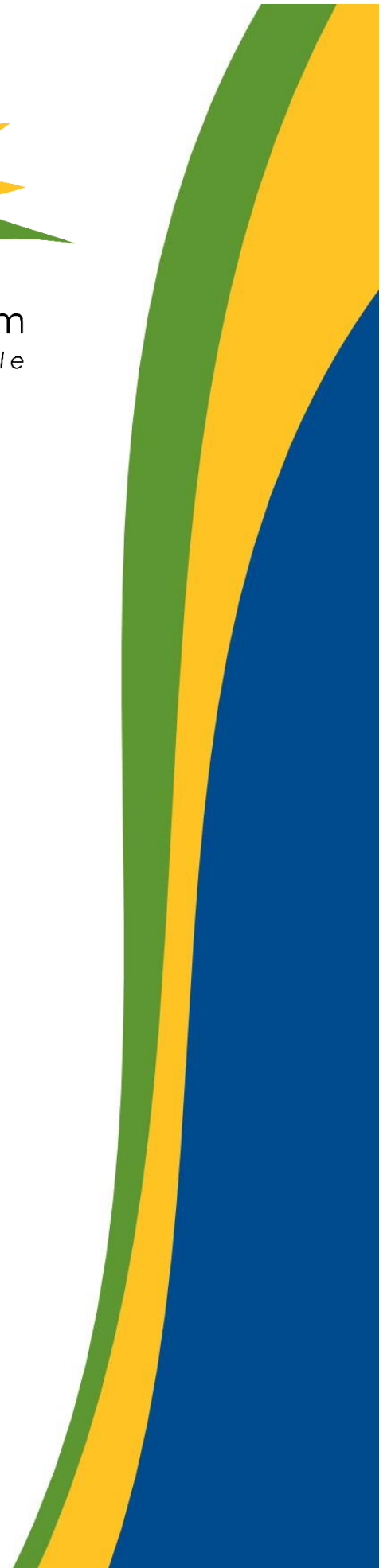
## **Shire of Northam**

### **Agenda**

### **Audit & Risk Management**

### **Committee Meeting**

**13 April 2022**



**NOTICE PAPER**

**Audit & Risk Management Committee Meeting**

**13 April 2022**

Committee Members

I inform you that an Audit & Risk Management Committee meeting will be held by electronic means on 13 April 2022 at 4:45pm.

Yours faithfully



**Jason Whiteaker**  
**Chief Executive Officer**

## DISCLAIMER

This agenda has yet to be dealt with by the Council. The Recommendations shown at the foot of each item have yet to be considered by the Council and are not to be interpreted as being the position of the Council. The minutes of the meeting held to discuss this agenda should be read to ascertain the decision of the Council.

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## 1. DECLARATION OF OPENING

## 2. ACKNOWLEDGEMENT TO COUNTRY

The Shire of Northam would like to acknowledge the Traditional Owners of the land on which we meet, the Ballardong and Whadjuk people of the Nyoongar nation and pay our respects to Elders, past, present and emerging.

## 3. ATTENDANCE

### Committee:

Shire President	Cr C R Antonio
Deputy Shire President	Cr M P Ryan
Councillors	Cr H Appleton

### Staff:

Chief Executive Officer	J B Whiteaker
Executive Manager Corporate Services	C Young
Executive Assistant – CEO	A McCall

### Auditors:

Assistant Director OAG	Indika Dias
Director Butler Settineri	Marica Johnston

### 3.1 APOLOGIES

Councillor	Cr A J Mencshelyi
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### 3.2 APPROVED LEAVE OF ABSENCE

Nil.

### 3.3 ABSENT

Nil.

## 4. DISCLOSURE OF INTERESTS

*Members should fill in Disclosure of Interest forms for items in which they have a financial, proximity or impartiality interest and forward these to the Presiding Member before the meeting commences.*

*As defined in section 5.60A of the Local Government Act 1995, a **financial interest** occurs where a Councillor / Committee Member, or a person with whom the Councillor / Committee Member is closely associated, has a direct or indirect financial interest in the matter. That is, the person stands to make a financial gain or loss from the decision, either now or at some time in the future.*

As defined in section 5.61 of the Local Government Act 1995, an **indirect financial interest** includes a reference to a financial relationship between that person and another person who requires a Local Government decision in relation to the matter.

As defined in section 5.60B of the Local Government Act 1995, a person has a **proximity interest** in a matter if the matter concerns a proposed change to a planning scheme affecting land that adjoins the person's land; or a proposed change to the zoning or use of land that adjoins the person's land; or a proposed development (as defined in section 5.63(5)) of land that adjoins the person's land.

As defined in 34C of the Local Government (Administration) Regulations 1996, an **impartiality interest** means an interest that could, or could reasonably be perceived to, adversely affect the impartiality of the person having the interest and includes an interest arising from kinship, friendship or membership of an association.

Item Name	Item No.	Name	Type of Interest	Nature of Interest

## 5. CONFIRMATION OF MINUTES

### 5.1 COMMITTEE MEETING HELD ON 24 FEBRUARY 2022

#### RECOMMENDATION

That the minutes of the Audit & Risk Management Committee meeting held on 24 February 2022 be confirmed as a true and correct record of that meeting.

## 6. COMMITTEE REPORTS

### 6.1 AUDIT ENTRANCE MEETING

<b>File Reference:</b>	8.2.7.5
<b>Reporting Officer:</b>	Colin Young, Executive Manager Corporate Services
<b>Responsible Officer:</b>	Colin Young, Executive Manager Corporate Services
<b>Officer Declaration of Interest:</b>	Nil
<b>Voting Requirement:</b>	N/A
<b>Press release to be issued:</b>	No

#### BRIEF

For Council to meet with a representative from the Office of Auditor General to discuss the 2021/2022 Audit Scope and Procedures.

#### ATTACHMENTS

- Attachment 1: Entrance Meeting Agenda.  
Attachment 2: Audit Planning Summary.  
Attachment 3: Timetable.

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#### A. BACKGROUND / DETAILS

As per changes to the Local Government Act 1995 and the Local Government (Audit) Regulations 1996, Council has been audited by the Office of Auditor General since 2018. Butler Settineri was appointed as the nominated auditors for the OAG for the Shire of Northam for a period of three years, this is the second year of that contract. As part of the audit procedures an audit entrance meeting is required.

#### B. CONSIDERATIONS

##### B.1 Strategic Community / Corporate Business Plan

###### Theme 6: Governance and Leadership

Outcome 6.3 The Shire of Northam council is a sustainable, responsive, innovative and transparent organisation.

Objective: Ensure robust financial management.

##### B.2 Financial / Resource Implications

Staffing resources are required in order to action the recommendations detailed within the BPR Action Plan.

**B.3 Legislative Compliance**

Local Government Act 1995 and relevant subsidiary legislation.  
 Local Government (Audit) Regulations 1996

**B.4 Policy Implications**

N/A

**B.5 Stakeholder Engagement / Consultation**

N/A

**B.6 Risk Implications**

Risk Category	Description	Rating (consequence x likelihood)	Mitigation Action
Financial	Nil		
Health & Safety	Nil		
Reputation	Nil		
Service Interruption	Nil		
Compliance	Nil		
Property	Nil		
Environment	Nil		

**C. OFFICER'S COMMENT**

Indika Dias from the Office of Auditor General will attend the Teams meeting link along with Marcia Johnson from Butler Settineri who will be carrying out the audit on behalf of the Office of Auditor General.

Anne/ Marcia will brief the Committee on

1. Audit approach
2. Business operations
3. Significant risk and audit focus areas identified
  - Audit findings reported in previous audit.
  - Potential changes to Local Government regulations
  - Related party transactions
  - Revenue recognition
  - Unauthorised expenditure
  - Unrecorded liabilities
  - Fictitious employees
  - Revaluation of land & buildings
4. Significant Assets acquired and disposed
5. Compliance with Laws and regulations
6. Changes in accounting policies
7. Related parties/ entities
8. Reporting protocols



- Significant issues identified during the audit
  - Interim management letter
  - Final management letter
9. Audit Team
  10. Audit timetable

Committee members & staff will then be giving the opportunity to ask questions to Indika and Marcia about the upcoming audit procedures.

**RECOMMENDATION**

**For information only.**

**Attachment 1 – Entrance Meeting Agenda**



**CLIENT NAME: SHIRE OF NORTHAM**

**YEAR END: 30 JUNE 2022**

**FINANCIAL AUDIT ENTRANCE MEETING AGENDA**

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Date of Meeting: 13 April 2022

Time: 4:45pm – 5:30pm

Location: 395 Fitzgerald Street, Northam WA Australia, 6401  
Auditor's attendance via Video Call

Attendees: Chris Antonio (Shire President) Audit Committee Chair  
Audit Committee Members  
Jason Whiteaker (CEO)  
Colin Young (Executive Manager Corporate Services)  
Indika Dias (Assistant Director, OAG)  
Marcia Johnson (Butler Settineri Audit Director)

**DISCUSSION POINTS**

1. OUR AUDIT APPROACH
2. BUSINESS OPERATIONS
3. SIGNIFICANT RISKS AND AUDIT FOCUS AREAS IDENTIFIED <ul style="list-style-type: none"><li>• AUDIT FINDINGS REPORTED IN PREVIOUS AUDIT</li><li>• POTENTIAL CHANGES TO LOCAL GOVERNMENT REGULATIONS</li><li>• RELATED PARTY TRANSACTIONS</li><li>• REVENUE RECOGNITION</li><li>• UNAUTHORISED EXPENDITURE</li><li>• UNRECORDED LIABILITIES</li><li>• FICTICIOUS EMPLOYEES</li><li>• PROVISIONS</li><li>• REVALUATION OF LAND AND BUILDINGS</li></ul>
4. SIGNIFICANT ASSETS ACQUIRED AND DISPOSED
5. COMPLIANCE WITH LAWS AND REGULATIONS
6. CHANGES IN ACCOUNTING POLICIES
7. RELATED PARTIES / ENTITIES
8. REPORTING PROTOCOLS <ul style="list-style-type: none"><li>• SIGNIFICANT ISSUES IDENTIFIED DURING THE AUDIT</li><li>• INTERIM MANAGEMENT LETTER</li><li>• FINAL MANAGEMENT LETTER</li></ul>
9. AUDIT TEAM
10. AUDIT TIME TABLE

Attachment 2 – Audit Planning Summary

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## THE PLANNING SUMMARY

This Summary of our Audit Plan explains our approach to the audit of the annual financial report.

In particular, this Summary includes:

1. Introduction
2. Our Audit Approach
3. Business Operations
4. Significant Risks and Audit Focus Areas
5. Audit Emphasis and Significant Account Balances
6. Compliance with Laws and Regulations
7. Going Concern and Adverse Financial Trends
8. Accounting Policies
9. Internal Audit
10. Management Representation Letter
11. Related Parties
12. Reporting Protocols
13. Specific Audit Requirements
14. Your Audit Team
15. Proposed Audit Schedule
16. Other Audit Activities

If there are any matters in the Planning Summary that you would like clarified, please do not hesitate to contact us.

There may be areas where you would like us to increase the audit focus. We would be pleased to discuss these to determine the most efficient and effective approach to performing this work.



## INTRODUCTION

### Auditor General

Following proclamation of the Local Government Amendment (Auditing) Act 2017, the Auditor General is responsible for the annual financial report audit of Western Australian Local Governments.

The Act allows the Auditor General to contract out financial audits.

### Contractor Appointment – Butler Settineri Audit (“BSA”)

BSA has been contracted by the Auditor General to perform the Shire of Northam financial report audit on the Auditor General's behalf for the year ending 30 June 2022.

Our audit procedures will be conducted under the direction of the Auditor General, who will retain responsibility for forming the audit opinion and issuing the audit report to the Shire of Northam.

BSA is required to report any matter to the Auditor General which may affect the Auditor General's responsibilities under the Auditor General Act 2006.

### Responsibility of the Council and the CEO

It is important to note that:

1. Under the *Local Government Act 1995* and associated regulations, the 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 Local Government Act and Regulations, and other legislative requirements.
2. Under the *Local Government Act 1995* and associated regulations, the Council and the CEO have responsibility for maintaining internal controls that prevent or detect fraud or error and to ensure regulatory compliance. The Audit and Risk Committee and the Auditor General should be informed 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.
3. The 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 statements. We do not provide assurance over your annual report.
4. An audit does not guarantee that every amount and disclosure in the annual financial report is error free. Also, an audit does not examine all evidence and every transaction. However, our audit procedures should identify errors or omissions significant enough to adversely affect the decisions of users of the annual financial report.



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Our audit is conducted in accordance with Australian Auditing Standards. Our aim is to provide reasonable assurance whether the annual financial report is free of material misstatement, whether due to fraud or error. We perform audit procedures to assess whether, in all material respects, the annual financial report is presented fairly in accordance with the *Local Government Act 1995, Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

The nature of the audit is influenced by factors such as:

- the use of professional judgement
- selective testing
- the inherent limitations of internal controls
- the availability of persuasive rather than conclusive evidence.

As a result, an audit cannot guarantee that all material misstatements will be detected. We examine, on a test basis, information to provide evidence supporting the amounts and disclosures in the annual financial report, and assess the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by management.

### Conflicts of Interest

We confirm we have completed our independence evaluation and are satisfied we do not have any actual or perceived conflicts of interest in completing the annual audit of the Shire of Northam on behalf of the Auditor General.

BSA's approach is designed to:

- Focus on key risks and financial areas; and
- Add value to your business by providing constructive ideas for improving internal controls and on-going business systems

The partner-led assurance service team is committed to meeting specific business needs by:

- Working closely with you to get to know the business whilst maintaining independence;
- Using the latest computerised systems and audit techniques; and
- Conducting an in-depth review of financial records to enable identification of key areas where additional support and attention will improve the business.

The audit will meet the statutory requirements under the *Local Government Act 1995* and *Regulations* and will be carried out in accordance with the Australian Auditing Standards.

**We will carry out such work as is necessary to form an opinion as to whether the annual financial report of the Shire:**

- i) is based on proper accounts and records; and
- ii) fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2022 and its financial position at the end of the period in accordance with the *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.



**We will also include the following matters in the auditor's report:**

- 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 Shire;
- b) Any material non-compliance with Part 6 of the Act, 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; and
- e) The opinion of the auditor as to whether or not the asset consumption ratio and the asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.

In addition to the standard audit structure, additional audit matters may be performed upon direction from yourself.

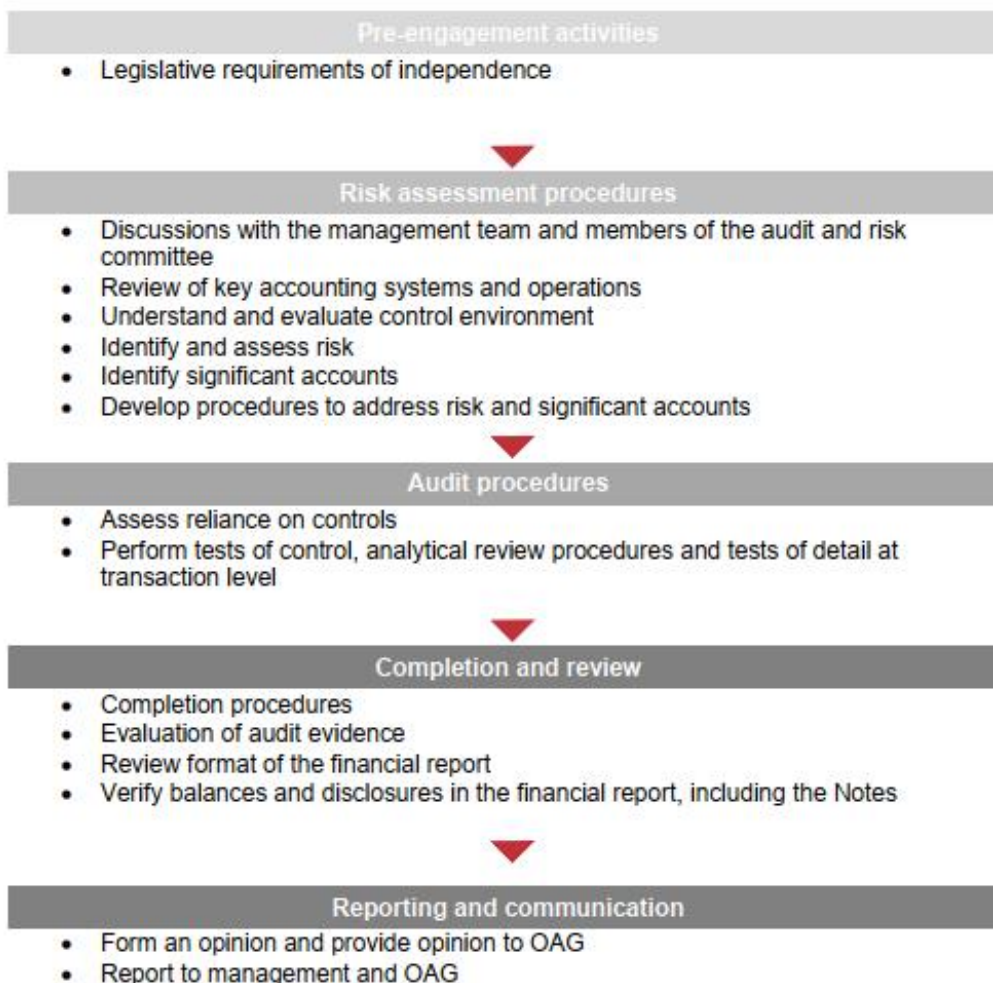
The attendance of at least one meeting per year of the Shire's audit and risk committee by a member of our audit team may also be carried out if required. The audit team will visit the Shire's offices during each stage of the audit and the engagement partner will be available for subsequent meetings at the Shire's request. The visits to the Shire could be impacted by COVID-19 restrictions.





## OUR AUDIT APPROACH

Our audit approach comprises the following steps:





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Our audit approach involves assessing your overall control environment and understanding key business processes/cycles and internal controls relevant to the audit.

The level of testing will be dependent on our assessment of the risk in each business cycle. We plan to cover the following cycles:

- Revenue
- Expenditure
- Payroll
- Cash and Financing
- Property, Plant, Equipment and Infrastructure

The extent of our reliance on controls, together with the materiality level, determines the nature and extent of our audit procedures to verify individual account balances.

Our audit will be split into two components as follows:

### **Interim audit**

This includes:

1. Understanding your current business practices
2. Understanding the control environment and evaluating the design and implementation of key controls and, where appropriate, whether they are operating effectively
3. Testing transactions to confirm the accuracy and completeness of processing accounting transactions, namely rates and grant revenue, expenditure and payroll
4. Clarifying significant accounting issues before the annual financial report is prepared for audit.

### **Final audit**

This focuses on verifying the annual financial report and associated notes, and includes:

1. Verifying material account balances using a combination of substantive analytical procedures, tests of details, substantiation to subsidiary records and confirmation with external parties
2. Reviewing the annual financial report and notes for compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.



## BUSINESS OPERATIONS

The Shire provides a wide range of services to the community, including library, aquatics, youth park and maintaining roads to name a few. The Shire employs approximately 135 employees to perform these services.

The Shire is governed by ten elected Councillors. The Chief Executive Officer is Jason Whiteaker.

Based on the 2021/2022 budget:

- The Shire expects to spend \$12.3M on Infrastructure and \$4.2M on Property, Plant and Equipment which will be funded through non-operating grants \$6.8M, proceeds from sale of assets of \$985k and the balance through the Shire's existing cash reserves and operating activities for the year.

There were no significant changes in the budget from the prior year.

The Shire uses Synergy Soft accounting system. Our primary contacts at the Shire are Colin Young (Executive Manager Corporate Services) and Codey Redmond (Senior Finance Officer).

## SIGNIFICANT RISKS AND AUDIT FOCUS AREAS

Through discussions with your staff, we have identified the following issues and key areas of risk affecting the audit:

Details of Risk / Issue	Audit Approach
Audit findings reported in the previous audit. <ul style="list-style-type: none"> <li>No review of supplier batch payment by the executive manager</li> <li>1 sample where a purchase order was not obtained</li> <li>1 sample where an employee contract not signed</li> </ul>	We will follow-up the issues reported during the current year audit.
Potential changes to <i>Local Government (Financial Management) Regulations</i> that have been signalled by the Department of Local Government, Sport and Cultural Industries (DLGSCI): <ul style="list-style-type: none"> <li>DLGSCI invited comments from local governments on proposed reforms which includes improved financial management and reporting. New standardised templates are proposed for larger and smaller local government entities. Smaller local governments will have a more streamlined standard financial statements, reflecting the generally less complex operations of smaller local governments.</li> </ul>	Upon communication of changes <i>Local Government (Financial Management) Regulations</i> by the Department of Local Government, Sport and Cultural Industries (DLGSCI) for financial reporting 2022, we will review management's assessment of the impact of the new regulation, determine whether, to the extent necessary, your entity has applied the regulations correctly, and ensure the financial report comply with the revised requirements of each regulation.



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Details of Risk / Issue	Audit Approach
<ul style="list-style-type: none"> <li>At this stage we are not aware of the timing of the new standardised templates and proposed changes to your financial report for this year.</li> </ul>	
<p>We have identified the following areas that we consider require additional focus during our 2021-22 audit:</p> <ul style="list-style-type: none"> <li>Related party disclosures</li> <li>Revenue recognition</li> <li>Unauthorised expenditure</li> <li>Unrecorded liabilities and expenses</li> <li>Fictitious employees</li> </ul>	<p>We will review the accounting treatment and disclosure processes during our interim and final audits.</p>
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> <li>Provision for annual and long service leave</li> <li>Impairment of assets</li> <li>Revaluation of land and buildings</li> </ul>	<p>We will review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. This will include considering the reasonableness of assumptions and corroborating representations in accordance with ASA 540.</p>
<p>Important changes in management or the control environment</p>	<p>We will review any relevant changes to management roles and related delegations, to confirm that no temporary or ongoing control gaps have occurred. We noted that the accountant had left the Shire in March 2022.</p>



## AUDIT EMPHASIS AND SIGNIFICANT ACCOUNT BALANCES

The table below lists those items in the Statement of Financial Position and the Statement of Comprehensive Income that are significant account balances, and our planned audit approach for these balances. When selecting significant account balances, we consider materiality, the nature of the balance, inherent risk and the sensitivity of disclosures.

Significant Account	2021 Audited Balance \$'000	Audit Approach
<b>Statement of Financial Position</b>		
Cash and cash equivalents	\$8,872	<ul style="list-style-type: none"> <li>Review internal controls and reconciliations</li> <li>Verify year-end balance through bank confirmations</li> <li>Analytical review</li> </ul>
Receivables	\$3,941	<ul style="list-style-type: none"> <li>Year-end cut-off testing</li> <li>Review subsequent receipts</li> <li>Review provision for doubtful debts</li> <li>Analytical review</li> </ul>
Financial assets	\$345	<ul style="list-style-type: none"> <li>Verify assets to third party documentation</li> <li>Assess accounting treatment in line with accounting policies</li> <li>Assess assets for impairment</li> </ul>
Property, plant, equipment and infrastructure	\$226,345	<ul style="list-style-type: none"> <li>Review key processes/controls</li> <li>Verify asset additions and disposals</li> <li>Assess assets for impairment</li> <li>Test items posted to construction in progress to assess appropriateness of expenses being capitalised</li> <li>Assess whether carrying amounts approximate fair value</li> <li>Where relevant, confirm balances to independent valuation reports</li> </ul>
Payables	\$2,161	<ul style="list-style-type: none"> <li>Review of key processes/controls</li> <li>Test for unrecorded liabilities</li> <li>Year end cut off testing</li> </ul>
Contract Liabilities	\$1,121	<ul style="list-style-type: none"> <li>Review of underlying performance obligations within contracts and the recognition of related revenue and liability amounts</li> </ul>
Borrowings	\$6,059	<ul style="list-style-type: none"> <li>Verify year end balances to third party statements at year end.</li> </ul>
Provisions	\$1,566	<ul style="list-style-type: none"> <li>Review the reasonableness of assumptions and calculations</li> </ul>

Significant Account	2021 Audited Balance \$'000	Audit Approach
		<ul style="list-style-type: none"> <li>• Agree amounts to supporting documentation</li> <li>• Analytical review</li> </ul>
<b>Statement of Comprehensive Income</b>		
Rates	\$10,107	<ul style="list-style-type: none"> <li>• Review of key processes and controls</li> <li>• Analytical review</li> <li>• Sample testing of transactions</li> </ul>
Operating grants, subsidies & contributions;	\$5,164	<ul style="list-style-type: none"> <li>• Review of key processes and controls</li> <li>• Analytical review</li> <li>• Sample testing of transactions</li> </ul>
Fees and charges	\$4,114	<ul style="list-style-type: none"> <li>• Review of key processes and controls</li> <li>• Analytical review</li> <li>• Year end cut-off testing</li> </ul>
Interest received	\$99	<ul style="list-style-type: none"> <li>• Analytical review</li> </ul>
Other revenue	\$1,084	<ul style="list-style-type: none"> <li>• Analytical review</li> <li>• Sample testing of transactions</li> </ul>
Employee related expenses	\$8,819	<ul style="list-style-type: none"> <li>• Review of key processes and controls</li> <li>• Sample testing of transactions</li> <li>• Analytical review</li> </ul>
Materials and contracts	\$5,895	<ul style="list-style-type: none"> <li>• Review of key processes and controls</li> <li>• Sample testing of transactions</li> <li>• Analytical review</li> </ul>
Utility Charges	\$1,230	<ul style="list-style-type: none"> <li>• Review of key processes and controls</li> <li>• Sample testing of transactions</li> <li>• Analytical review</li> </ul>
Depreciation and amortisation	\$4,976	<ul style="list-style-type: none"> <li>• Review of management's assessment of the useful lives of assets and assess reasonableness.</li> <li>• Analytical review</li> </ul>
Interest Expenses	\$227	<ul style="list-style-type: none"> <li>• Review of management's assessment of the useful lives of assets and assess reasonableness.</li> <li>• Analytical review</li> </ul>
Insurance Expenses	\$470	<ul style="list-style-type: none"> <li>• Review of management's assessment of the useful lives of assets and assess reasonableness.</li> <li>• Analytical review</li> </ul>
Other expenses	\$423	<ul style="list-style-type: none"> <li>• Review of key processes/controls</li> <li>• Sample testing of transactions</li> <li>• Analytical review</li> </ul>



## COMPLIANCE WITH LAWS AND REGULATIONS

Management is to ensure the entity complies with the Local Government Act 1995 (as amended), and the Local Government (Financial Management) Regulations 1996 (as amended).

We are required by the Local Government Act 1995 and Local Government (Audit) Regulations 1996 to test compliance with the Act and Regulation.

## GOING CONCERN AND ADVERSE FINANCIAL TRENDS

Auditing Standard ASA 570 *Going Concern* requires that we consider the appropriateness of the going concern assumption at the planning stage.

The Shire, being a form of local government is backed by the State Government; hence going concern assumption is deemed reasonable.

However, the auditor's report, per the Local Government (Audit) Regulations 1996, is still required to disclose if there are any significant adverse trends in the financial position or financial practices.

Based on procedures performed the going concern basis of accounting is considered appropriate at planning stage.

## ACCOUNTING POLICIES

The Shire appears to be adopting all the recognition and measurement requirements of the applicable Australian Accounting Standards.

There are no major changes to accounting policies noted during the year.

## INTERNAL AUDIT

We seek to rely on internal audit work to reduce our own audit work wherever possible. This relates to internal audit completed by independent third parties. This avoids duplication of audit effort and the associated workload on your operational and administrative staff.

We are not aware of any independent internal audit's performed for this financial year.

We understand that the Shire staff perform internal audits on financial controls during the financial year which enforces the Shire's internal control environment.

## MANAGEMENT REPRESENTATION LETTER

Our audit procedures assume that management expects to be in a position to sign a management representation letter.



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This letter should be reviewed and tailored to meet your Shire's particular circumstances, and be signed and dated by the CEO as close as practicable to the date of the proposed auditor's report. Ordinarily, this would be no longer than five working days prior to the issue of the auditor's report.

We will also be relying on the signed Statement by CEO in the annual financial report as evidence that they confirm that:

- they have fulfilled their responsibility for the preparation of the annual financial report in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards
- they have provided us with all relevant information necessary or requested for the purpose of the audit
- all transactions have been recorded and are reflected in the annual financial report.

## RELATED PARTIES

Section 7.12AL of the *Local Government Act 1995* applies section 17 of the *Auditor General Act 2006* to a local government. Section 17 requires a local government to advise the Auditor General in writing of details of all related parties and entities that are in existence.

## REPORTING PROTOCOLS

Significant issues identified during the course of the audit will be discussed with relevant staff and management as soon as possible after being identified. Draft management letters will be provided to your CEO (or other nominated representative) for coordination of comments from appropriate members of your management. We request that these be returned quickly, preferably within 10 working days.

At the conclusion of the audit, the abovementioned management letter will accompany the auditor's report and the audited annual financial report forwarded to the President, the CEO and the Minister for Local Government. The management letter is intended to communicate issues arising from the audit that may impact on internal control, compliance, and financial reporting.

Where considered appropriate, and to ensure timely reporting of audit findings and action by management, interim management letters may be issued to the CEO. Interim management letters will be forwarded to the President and Minister with the auditor's report.

## SPECIFIC AUDIT REQUIREMENTS

We will discuss our requirements with your staff to facilitate a timely, efficient and effective audit. We will formally agree our information requirements and timeframes for the audit with your CEO and by using your staff to have various documents readily available when we perform our audit.

Please note however that in several instances, particularly during our audit sampling at the interim visits, audit staff will need to retrieve some evidence themselves, rather than being given the evidence by your staff. This is essential for an independent audit.





## YOUR AUDIT TEAM

	Name	Contact
OAG Representative	Indika Dias	(08) 6557 7543 Indika.dias@audit.wa.gov.au
Butler Settineri Director	Marcia Johnson	(08) 6389 5222 mjohnson@butlersettineri.com.au
Butler Settineri Auditor	Bernadine Vorster	(08) 6389 5222 bvorster@butlersettineri.com.au

Marcia Johnson will be your primary contact and will communicate progress and any emerging issues to you.

## PROPOSED AUDIT SCHEDULE

See attached Audit Timetable.

## OTHER AUDIT ACTIVITIES

The OAG has recently completed or is undertaking financial and performance audits relevant to local government. Through these audits, OAG aims to identify good practice and opportunities for improvement. You may therefore wish to review these reports as they may have relevance to your local government. They are available at [www.audit.wa.gov.au](http://www.audit.wa.gov.au).

A summary of reports issued from March 2020 are listed below:

- Purchasing cards (March 2020)
- Security considerations for remote working arrangements (April 2020)
- COVID-19 financial and governance matters (April 2020)
- Controls for the management of monies held for specific purposes (April 2020)
- Contract management – extensions and variations (May 2020)
- Managing technical vulnerabilities (June 2020)
- Western Australian Public Sector Audit Committees (June 2020)
- Grant administration (January 2021)
- Western Australian Public Sector Financial Statements Better Practice Guide (June 2021)
- Staff Exit Controls – (August 2021)
- Summary of Audit Committee Chair Forum (Oct 2021)
- Roll-Out of State COVID-19 Stimulus Initiatives (Oct 2021)
- Cyber Security in Local Government (Nov 2021)

### Attachment 3 – Timetable

## BUTLER SETTINERI

AUDIT SON:	Shire of Northam		
AUDIT AREA:	Audit timetable		
PREPARED BY:	BSA	DATE:	01/03/2022

Our audit timetable for the financial year ended 30 June 2022 is as follows:

Key area	Target date	Person responsible
<b>Audit Planning</b>		
Send list of requirements for planning	4 March 2022	BSA
Planning information provided to audit	14 March 2022	SON
Audit Planning and Risk Assessment	23 March 2022	BSA
Planning document to OAG for review	28 March 2022	BSA
Entrance meeting document provide to SON for agenda	29 March 2022	BSA
Audit Entrance Meeting with Audit Committee Meeting	13 April 2022 4:45pm	SON, BSA, OAG
<b>Interim Audit</b>		
Send list of requirements for Interim	21 March 2022	BSA
Reconciled financial information ready for audit (up to 28 February 2022) Interim Information provided	31 March 2022	SON
Interim Audit selections to SON	4 April 2022	BSA
Information and sample ready for audit	18 April 2022	BSA
Interim Audit visit	25 – 29 April 2022	BSA & SON
BSA Review	6 May 2022	BSA
OAG Review	20 May 2022	OAG
Issue of Interim Management Letter (if applicable)	3 June 2022	OAG
<b>Final Audit</b>		
Bank confirmation letters	4 July 2022	BSA & SON
Final audit list of requirements to SON	4 July 2022	BSA
Reconciled financial information ready for audit - Trial Balance - Balance Sheet Reconciliations Provide information requested by audit	8 August 2022	SON
Draft Financial Report provided to audit	31 August 2022	SON
Audit selections to SON	15 August 2022	BSA
Information and sample ready for audit	29 August 2022	SON
Audit fieldwork visit	5 to 8 September 2022	BSA & SON
Fieldwork & Completion for review	23 September 2022	BSA & SON
BSA Fieldwork Review	10 October 2022	BSA
Meeting with Management	27 September 2022	SON, BSA
BSA Final Review	30 September 2022	BSA
File presented to OAG for review	3 October 2022	OAG
<b>Financial Report</b>		
Draft Audited Financial Report to	10 November 2022	BSA, SON

## BUTLER SETTINERI

AUDIT SON:	Shire of Northam		
AUDIT AREA:	Audit timetable		
PREPARED BY:	BSA	DATE:	01/03/2022

Key area	Target date	Person responsible
SONwith OAG comments		
Draft Audited Financial Report ready for Internal Agenda - Review	24 October 2022	BSA, SON
Approval by the CEO <ul style="list-style-type: none"> <li>• Draft Annual Financial Report</li> <li>• Management Representation Letter</li> </ul>	24 October 2022	SON
Final package to OAG for signing	1 November 2022	BSA
<b>Completion and Exit</b>		
Meeting with Audit Committee or (Audit Exit Meeting)	31 October 2022	SON, BSA, OAG
Issue of Auditor's Report	7 November 2022	OAG
Council Meeting to adopt AFR	16 November 2022	SON

**Key:**

SON = Zoë Macdonald (Accountant) Colin Young (Executive Manager Corporate Services) Shire of Northam

BSA = Butler Settineri Audit Marcia Johnson (Director) and Team]

OAG = Indika Dias (Acting Assistant Director)

**7. URGENT BUSINESS APPROVED BY DECISION**

Nil.

**8. DATE OF NEXT MEETING**

The next Audit and Risk Management Committee meeting is proposed to be held on 26 May 2022 at 5:00pm.

**9. DECLARATION OF CLOSURE**