

# SHIRE OF WANDERING

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## *Our Vision:*

*Wandering is a community of responsible, resilient and adaptable residents thriving in our scenic, economically diverse environment.*

# Audit Committee

# Minutes 17 June 2021

*We wish to acknowledge the traditional custodians of the land we are meeting on today. We acknowledge and respect their continuing culture and the contribution they make to the Shire of Wandering, and convey our respects to Elders past and present.*

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## 1. DECLARATION OF OPENING / ANNOUNCEMENT OF VISITORS

Meeting open at 1:30pm

### 1.1. DISCLOSURE OF INTEREST AFFECTING IMPARTIALITY

Division 6 Subdivision 1 of the Local Government Act 1995 requires Council Members and Employees to declare any direct or indirect financial interest or general interest in any matter listed in this Agenda.

The Act also requires the nature of the interest to be disclosed in writing before the meeting or immediately before the matter be discussed.

NB: A Council member who makes a disclosure must not preside or participate in, or be present during, any discussion or decision-making procedure relating to the declared matter unless the procedures set out in Sections 5.68 or 5.69 of the Act have been complied with.

#### DISCLOSURE OF INTEREST AFFECTING IMPARTIALITY

Disclosures of Interest Affecting Impartiality are required to be declared and recorded in the minutes of a meeting. Councillors who declare such an interest are still permitted to remain in the meeting and to participate in the discussion and voting on the particular matter. This does not lessen the obligation of declaring financial interests etc. covered under the Local Government Act.

To help with complying with the requirements of declaring Interests Affecting Impartiality the following statement is recommended to be announced by the person declaring such an interest and to be produced in the minutes.

"I (give circumstances of the interest being declared, eg: have a long-standing personal friendship with the proponent). As a consequence, there may be a perception that my impartiality on this matter may be affected. I declare that I will consider this matter on its merits and vote accordingly".

## 2. RECORD OF ATTENDANCE / APOLOGIES / LEAVE OF ABSENCE (PREVIOUSLY APPROVED)

#### Present:

Cr I Turton	Chairman		Ms B Knight	CEO - observer
Cr G Parson		Cr P Treasure	Mr Jay Teichert	OAG via Zoom
Cr J Price			Ms Maria Cavallo	Auditor via Zoom
Cr B Whitely				
Cr M Watts				

#### Apologies:

Cr G Curtis

## 3. PUBLIC QUESTION TIME

No public present

## 4. STATUS REPORT FROM PREVIOUS MEETINGS

Nil

## 5. 2020/2021 AUDIT – ENTRANCE MEETING

During the meeting, you will be provided with an outline of the audit plan for 2020/2021. To allow the meeting to be conducted efficiently, please find attached the Audit Plan for your review prior to our meeting.



# AUDIT PLANNING SUMMARY

## SHIRE OF WANDERING

Year ended 30 June 2021

May 2021

AMD Chartered Accountants on behalf of  
Office of the Auditor General for Western  
Australia



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## 1. Purpose of the Audit Planning Summary

The purpose of this Audit Planning Summary is to provide the Shire of Wandering Audit Committee and Executive Management our proposed approach to the audit of the financial report of the Shire of Wandering for the year ending 30 June 2021.

This Audit Planning Summary will be discussed during the meeting scheduled for 17 June 2021 and ensures our responsibility to communicate with those charged with governance are satisfied.

Specifically, this Audit Planning Summary includes:

- Introduction
- Terms of Engagement and Appointment
- Our Audit Approach
- Significant Risks and Other Audit Issues
- Audit Emphasis and Significant Account Balances
- Management Representation Letter
- Related Entities
- Reporting Protocols
- Proposed Audit Schedule
- Audit Evidence - Specific Audit Requirements
- Your Audit Team

If there are any matters in the 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 the Shire of Wandering's audit requirements.

## 2. Introduction

### 2.1 Background and General Information

The town of Wandering is located 120km to the south east of Perth 27km off Albany Hwy. The Shire of Wandering has an area of 1,955km sq. of which some 900km sq. is State Forest. The population of the Shire, as of the 2010 census was 439.

Major agricultural activities include cereal crops (oats, wheat, barley) pulse crops (lupins, chickpeas, faba beans) oil seed (canola), sheep (wool & meat), cattle (meat), pigs and vineyards. Other commercial industries include wineries, timber milling and hay exporting. A range of local commercial services exist.

Individual Councillors, including the President, cannot make decisions as individuals. The Council itself does not have any delivery or executive functions, but rather relies on the decisions of the majority of the group which provide direction for the Chief Executive Officer to implement.

The Local Government Act defines the roles of Council and the Councilor's as follows:

#### Role of Council

1. direct and control the Local Government's affairs and functions;
2. oversee the allocation of the Local Government's finances and resources;
3. determine the Local Government's policies; and
4. ensure that there is an appropriate structure for administering the Local Government.

### 2.2 Shire Council and Executive Management

The Shire of Wandering Council consists of:

President	Ian Turton
Deputy President	Graeme Parsons
Councillor	Brendan Whitely
Councillor	Judith Price
Councillor	Max Watts
Councillor	Gary Curtis
Councillor	Paul Treasure

The Shire Executive Management consists of:

Chief Executive Office ("CEO")	Belinda Knight
Executive Manager of Technical Services	Barry Gibbs
Works Manager	Brad Hunt
Finance Officer	Sophie Marinoni

## 2.3 Governance and Roles and Responsibilities

As one of Australia's three spheres of government (Federal, State, Local), Local Government is the sphere that most closely affects the daily lives of members of the local community.

The roles and responsibilities of Local Government generally include:

- infrastructure and property services, including local roads, bridges, footpaths, drainage, waste collection and management;
- provision of recreation facilities, such as parks, sports fields and stadiums, golf courses, swimming pools, sport centres, halls, camping grounds and caravan parks;
- health services such as water and food inspection, toilet facilities, noise control and meat inspection and animal control;
- community services, such as child-care, aged care and accommodation, community care and welfare services;
- building services, including inspections, licensing, certification and enforcement;
- planning and development approval;
- administration of facilities, such as airports and aerodromes, ports and marinas, cemeteries, parking facilities and street parking;
- cultural facilities and services, such as libraries, art galleries and museums; and
- water and sewerage services in some states.

Local Government revenue comes from three main sources:

- rates;
- fees and charges; and
- grants from Federal and State/Territory Governments.

The Shire of Wandering is governed by an independent Council. Councillors are elected by the ratepayers.

The Shire of Wandering Council appoints a CEO to ensure resources are effectively and efficiently managed. Council may delegate to the CEO the exercise of any of its powers or the discharge of any of its duties under the Local Government Act 1995.

## 2.4 Financial Report and Regulation

The Shire of Wandering's annual financial report is general purpose financial statements prepared in accordance with the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

Applicable financial reporting regulations the Shire of Wandering must comply with includes:

- Local Government Act 1995 ("the Act");
- Local Government (Financial Management) Regulations 1996 ("the Regulations"); and
- Local Government (Audit) Regulations 1996.

The Auditor General's audit report will be prepared in accordance with the Act, Regulations and Australian Auditing Standards and include the audit opinion on the annual financial report. The Auditor General's audit report will also report:

- Any significant adverse trends in the financial position of the Shire of Wandering;
- Any instances of non-compliance with the Act, the regulations or applicable financial controls of any other written law identified during the course of the audit;
- Whether all required information and explanations are obtained during the audit;

- Whether all audit procedures are satisfactorily completed; and
- Whether, in the Auditor General’s opinion, the asset consumption ratio and asset renewal funding ratio included in the annual financial report are supported by verifiable information and reasonable assumptions.

The Shire of Wandering is required to publish the auditor’s report with the annual financial report on its website. If the Auditor General reports other significant matters to the Shire of Wandering, then the Shire will be required to report to the Minister action taken with respect to those matters.

## 3. Terms of Engagement and Appointment

### 3.1 Auditor General

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

The annual financial statement audit of the Shire of Wandering will be completed by the Auditor General for the first time for the year ended 30 June 2021.

### 3.2 Contractor Appointment – AMD Chartered Accountants (“AMD”)

AMD has been contracted by the Auditor General to perform the Shire of Wandering financial report audit on the Auditor General’s behalf for the year ending 30 June 2021. The OAG and AMD have signed a contractor agreement which outlines the relationships between the OAG, Shire and AMD.

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 Wandering. The 30 June 2021 audit approach and methodology is outlined within section 4.0 below.

AMD is required to report any matter to the Auditor General which may affect the Auditor General’s responsibilities under the Auditor General Act 2006. AMD’s reporting requirements as outlined within the contractor agreement are outlined within section 9 of this Audit Planning Summary, Reporting Protocols.

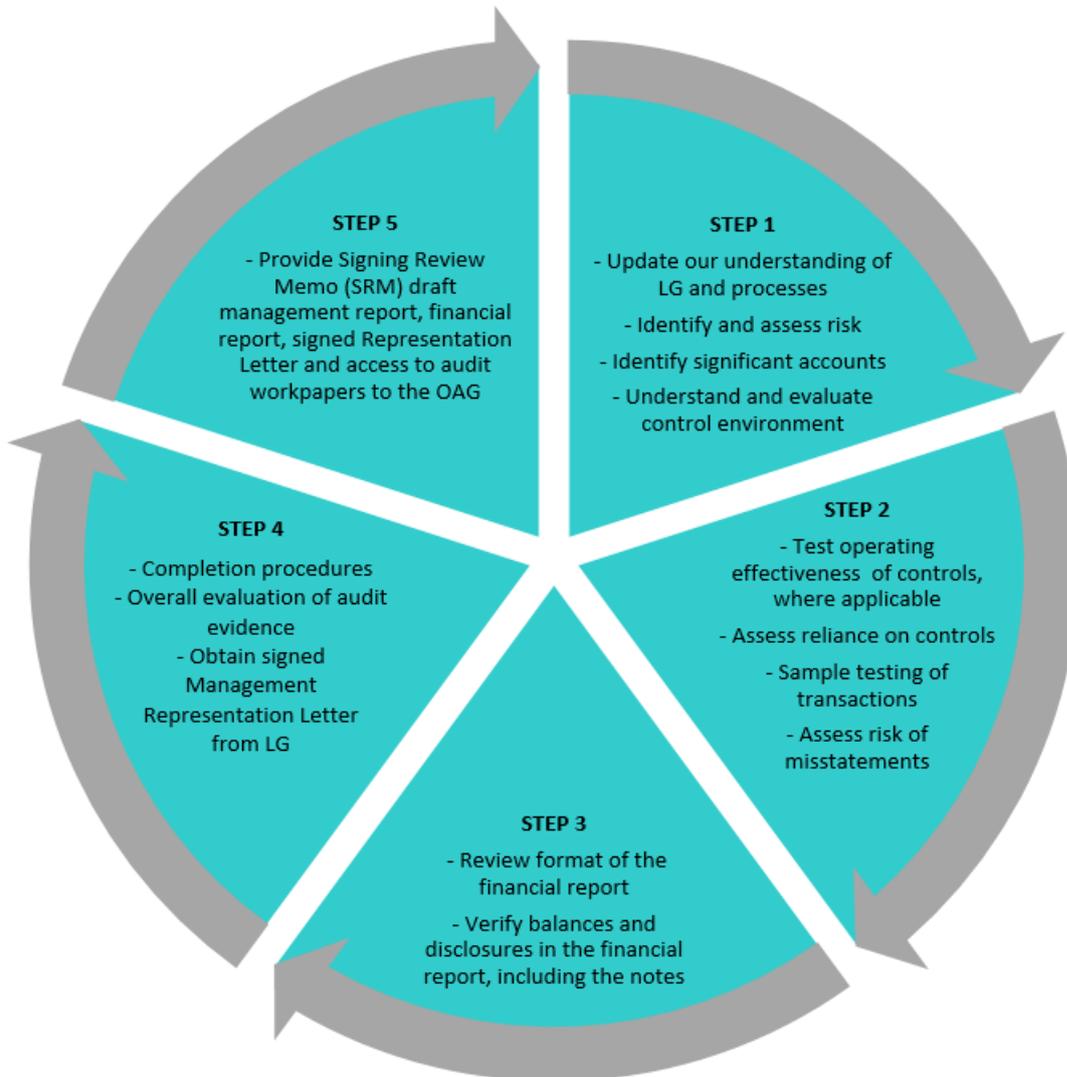
### 3.3 Conflicts of Interest

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 Wandering on behalf of the Auditor General.

## 4. Our Audit Approach

### 4.1 Audit Approach Steps

Our audit approach comprises five steps:



### 4.2 Audit Approach and Methodology

Our audit approach is designed to specifically focus audit attention on the key areas of risk faced by the Shire of Wandering in reporting on finances and performance.

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 judgement, high risks. A high risk is an assessed risk of material misstatement in the financial report that in our judgement is a key audit area and therefore requires special audit consideration.

Our assessment of key audit areas is based on:

- Discussions held with the Executive Management team;
- The complexity of transactions within each audit area;
- The degree of subjectivity in the measurement of financial information related to the risk, in particular those requiring significant accounting estimates and assumptions; and
- The degree of susceptibility to fraud risk.

Testing of high risk material balances follows a hierarchy approach commencing with tests of controls, substantive analytical review procedures and finally tests of details. Testing of low risk material balances is coordinated with the auditing of high risk material balances.

Our audit will be separated into two components, the interim audit and the final audit.

The interim audit includes:

- understanding the Shire of Wandering's current business practices;
- assessment and response to engagement risk, entity risk and system risk;
- understanding the control environment and evaluating the design and implementation of key controls and, where appropriate, whether they are operating effectively;
- testing transactions to confirm the accuracy and completeness of processing accounting transactions;
- clarifying significant accounting issues, including accounting estimates and fair value considerations before the annual financial report is prepared for audit;
- review and assess legislative compliance;
- review and assess contingent liabilities;
- review and assess progress with respect to the introduction of applicable new Accounting Standards; and
- follow up prior year management letter comments and recommendations.

The final audit focuses on verifying the annual financial report and associated notes, and includes:

- verifying material account balances using a combination of substantive analytical procedures, tests of details, substantiation to subsidiary records and confirmation with external parties; and
- reviewing the annual financial report and notes for compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

It is important to note that:

- 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.
- An audit does not guarantee that every amount and disclosure in the annual financial report is free from error. 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.
- 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 report. The OAG does not provide assurance over your annual report.
- 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 Committee and AMD/the OAG 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, and we will report them to you.

### 4.3 Australian Auditing Standards

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, to the extent that they are not inconsistent with the Act, the 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; and
- 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.

### 4.4 Materiality

The scope of our audit also applies materiality. The planning materiality level will be calculated and determined using AMD's audit methodology. The amount of materiality may be adjusted during the audit, depending on the results of our audit procedures.

### 4.5 Fraud Risk

In accordance with *ASA240 The Auditor's Responsibility Relating to Fraud in the 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 as a result of fraud or error.

Council and management of the Shire of Wandering is responsible for the prevention and detection of fraud and error. The Shire 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.

We will request management complete a self assessment fraud control questionnaire. This allows us to make inquiries of management, to obtain an understanding of the risk of fraud within the Shire and to determine whether management have knowledge of fraud activities. We will review the fraud control questionnaire assessment.

In addition we will review the Shire's fraud prevention control procedures, review significant or unusual transactions, review accounting estimates and key assumptions and review year end accounting adjustments.

## **4.6 Meetings**

### **4.6.1 Entrance Meeting**

The entrance meeting will discuss this Audit Planning Summary and be held with the Audit Committee (or where impractical for the Audit Committee, a representative from Council), CEO, Finance Officer, OAG Director and AMD.

### **4.6.2 Interim Audit Findings**

The interim audit findings will be discussed with management by the audit team at the completion of the interim audit. Draft management letters will be provided to the Shire's CEO for coordination of comments from appropriate members of your management.

### **4.6.3 Final audit close out meeting**

The final audit findings will be discussed with management by the audit team at the completion of the final audit.

### **4.6.4 Exit meeting**

The exit meeting will discuss the financial report, proposed audit report to be issued and the management letter. This meeting will be held with the Audit Committee (or where impractical for the Audit Committee, a representative from Council), CEO, Finance Officer, OAG Director and AMD.

## 5. Significant Risks and Other Audit Issues

Through discussions with the Executive Management team and based on the 2019/2020 audit, we have identified the following issues and key areas of risk affecting the audit.

Details of Risk / Issue	Audit Approach
<p>Audit findings reported in the previous audit</p>	<p>We will follow-up the issues reported during the 2019/20 audit.</p>
<p>Changes to Australian Accounting Standards:</p> <ul style="list-style-type: none"> <li>• <i>AASB1059 Service Concession Arrangements: Grantors</i> This standard is applicable to Local Government for the year ended 30 June 2021. This standard is applicable to public sector entities that enter into service concession arrangements with private sector operators. It requires grantors to recognise a service concession asset and where applicable, a service concession liability on the statement of financial position.</li> </ul>	<p>At the interim audit, we will request management’s assessment and progress with respect to this standard implementation (where applicable).</p> <p>Throughout the audit, we will monitor the progress of these applicable Australian Accounting Standard and work with management as and when the changes are implemented.</p>
<p>We have identified the following areas that we consider require additional focus during 2020/2021 Local Government Audits:</p> <ul style="list-style-type: none"> <li>• Fair value of land, buildings and infrastructure (now revalued on a 5 year cycle unless fair value is materially different from the carrying amount). Plant and equipment recorded at depreciated cost.</li> <li>• Revenue recognition including the application of <i>AASB 15 Revenue from Contracts with Customers</i> and <i>AASB 1058 Income of Not-for-profit Entities</i>.</li> <li>• Identification and recording of leases in accordance with <i>AASB 16 Leases</i>, including commercial leases recognising ROU asset and corresponding liability and concessionary leases recorded at zero.</li> <li>• Ensure vested improvements correctly recorded as ROU asset.</li> <li>• Assessment of Long Service Leave for casual employees.</li> <li>• General accounting journals.</li> <li>• Trust account balances.</li> <li>• Financial ratios.</li> <li>• Related party disclosures.</li> <li>• Contingent Liabilities, including waste facility and contaminated sites.</li> <li>• Joint arrangements (joint operations, joint ventures).</li> <li>• Purchasing processes and documented evidence relating to obtaining quotations and tenders.</li> <li>• Current and approved Long Term Financial Plan and Asset Management Plan, with sufficient data.</li> </ul>	<p>We will review the accounting treatment and disclosure processes during our interim audit.</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> </ul>	<p>As required by changes to Australian Auditing Standard <i>ASA540 Auditing Accounting Estimates</i> (revised</p>

Details of Risk / Issue	Audit Approach
<ul style="list-style-type: none"> <li>• Fair value of assets</li> <li>• Impairment of assets</li> </ul>	<p>standard effective for the first time for the year ended 30 June 2021), we will devote greater attention to addressing potential management bias in accounting estimates, enhanced assessment of inherent risk factors and applying greater professional scepticism.</p> <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.</p>
<p>COVID-19</p>	<p>We will continue to monitor the ongoing COVID-19 pandemic and associated impact to the audit process. We will work with your management to minimise the risk for your staff and councillors, and our staff and contractors, and to your operations, while completing audits in the best timeframe possible under the applicable circumstances at the time.</p> <p>Should the need arise, this may involve more audit work being performed remotely rather than at your premises, and/or delaying audit work if unforeseen circumstances arise.</p> <p>We will also review your Shire’s implementation of any COVID-19 relief measures and ensure they have been implemented appropriately.</p>

## 6. Audit Emphasis and Significant Account Balances

Our audit approach involves assessing the Shire of Wandering’s overall control environment and understanding key business processes/cycles and internal controls relevant to the audit.

We will test key controls for all significant business cycles. The level of testing will be dependent on our assessment of the risk in each business cycle. We plan to address the following cycles:

- Revenue and Receivables cycle;
- Expenditure and Payable cycle;

- Payroll and Employee Entitlements cycle;
- Cash and Financing cycle;
- Inventory cycle; and
- Fixed assets cycle (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.

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	2020 Audited Balance \$'000	Audit Approach
<b>Statement of Financial Position</b>		
Cash and cash equivalents	1,434	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Perform walkthroughs of the cash cycle.</li> <li>• Review bank reconciliations.</li> <li>• Review transfers between bank accounts.</li> <li>• Verify large or unusual reconciling items.</li> <li>• Verify year end bank balance through bank confirmations.</li> <li>• Verify classifications including restricted / unrestricted; trust vs municipal and financial assets.</li> <li>• Analytical review.</li> </ul>
Financial Assets, including Self Supporting Loans	18	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Perform walkthroughs of the financial assets cycle.</li> <li>• Review investment reconciliations.</li> <li>• Verify year end investment balances, including Local Government House investment through external confirmations (where applicable).</li> <li>• Review internal controls, self-supporting loan debtor invoicing and reconciliations.</li> <li>• Analytical review.</li> </ul>
Receivables including rates	43	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Perform walkthroughs of the revenue and receivable cycle.</li> <li>• Perform cut-off testing and review credit notes.</li> <li>• Review subsequent receipts.</li> <li>• Review expected credit loss assessment ensuring compliant with AASB9.</li> <li>• Analytical review.</li> </ul>
Land held for resale	422	<ul style="list-style-type: none"> <li>• Review and assess effectiveness of internal controls.</li> <li>• Review listings of land held for re-sale.</li> <li>• Obtain titles to verify existence and ownership of land held for re-sale.</li> </ul>

Significant Account	2020 Audited Balance \$'000	Audit Approach
		<ul style="list-style-type: none"> <li>Obtain evidence to support land development or land held for sale (agent listing, advertising).</li> <li>Verification of value ensuring lower of cost and net realizable value.</li> <li>Ensure classification between current and non-current correct.</li> </ul>
Inventories	60	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Perform walkthroughs of the inventory cycle.</li> <li>Review of stock listings.</li> <li>Verification of units costs.</li> <li>Consider obsolete and slow moving inventories.</li> </ul>
Contract Assets	-	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Perform walkthroughs of the revenue and receivable cycle.</li> <li>Verification of contract asset calculation, ensuring requirements of AASB15 are met.</li> <li>Review of evidence to support when a performance obligation has been satisfied in accordance with the applicable Contract / Agreement to verify calculations.</li> </ul>
Right to use assets and corresponding lease liability	-	<ul style="list-style-type: none"> <li>Review of internal controls, including the means utilised to identify and record leased asset arrangements.</li> <li>Verify leased assets transaction calculations and test on a sample basis.</li> <li>Ensure vested improvements appropriately recorded.</li> <li>Analytical review.</li> <li>Ensure compliance with AASB16.</li> </ul>
Property, plant, equipment and infrastructure	56,688	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls, including internal control testing with respect to the Shire's processes for determining inputs into fair value.</li> <li>Perform walkthroughs of the fixed assets cycle.</li> <li>Analyse year end balances for each major class of asset comparing to last year.</li> <li>Perform sample testing on asset additions and disposals.</li> <li>Review management's impairment assessment at year end.</li> <li>Test items posted to construction in progress to assess appropriateness of expenses being capitalised.</li> <li>Review accounting treatment for repairs and maintenance costs to determine correct classification.</li> <li>Ensure assets less than \$5,000 are expensed as required.</li> <li>Assess and perform tests to determine whether carrying amounts approximate fair value.</li> <li>Where relevant, confirm balances to independent valuation reports and test key assumptions in determining fair value.</li> <li>Ensure revaluation increments / decrements are correctly applied.</li> <li>Ensure vested land and restricted use assets recorded in accordance with AASB13 take into account externally imposed restrictions.</li> <li>Review developer contributions to ensure correctly recorded and disclosed.</li> </ul>

Significant Account	2020 Audited Balance \$'000	Audit Approach
Payables	149	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Perform walkthroughs of the purchasing and payables cycle.</li> <li>Test for unrecorded liabilities and review subsequent payments post year end.</li> <li>Test and review material accrual balances.</li> <li>Verification of accrued expenses.</li> <li>Perform cut-off testing.</li> <li>Ensure prepaid rates are correctly classified as a liability in accordance with AASB1058.</li> <li>Analytical review.</li> </ul>
Contract Liabilities	546	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Verification of contract liability calculation, ensuring requirements of AASB15 are met.</li> <li>Review of evidence to support when a payment is due or already received before the related performance obligation has been satisfied in accordance with the applicable Contract / Agreement.</li> </ul>
Borrowings	-	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Agree amounts to WATC confirmation.</li> <li>Verification of classification between current and non-current.</li> <li>Agree bank facilities to confirmation.</li> </ul>
Provisions	151	<ul style="list-style-type: none"> <li>Review internal controls and employee provision reconciliations.</li> <li>Review the reasonableness of assumptions and calculations. Ensure calculations in accordance with AASB119.</li> <li>Test a sample of leave balances to ensure correct.</li> <li>Analytical review.</li> </ul>
Equity (Total)	57,818	<ul style="list-style-type: none"> <li>Review internal controls.</li> <li>Sample test reserve movements to supporting documentation including cash reserves and asset revaluation reserves.</li> <li>Analytical review.</li> </ul>
<b>Statement of Comprehensive Income</b>		
Operating and non-operating grants, subsidies and contributions	1,301	<ul style="list-style-type: none"> <li>Review of key processes and controls.</li> <li>Perform walkthroughs of the revenue cycle relating to grants, subsidies and contributions.</li> <li>Sample testing of transactions, including grant agreements.</li> <li>Perform cut-off testing.</li> <li>Review and test disclosures relating to unspent grants at year end, ensuring treated correctly in accordance with relevant Australian Accounting Standard.</li> <li>Sample testing of non-cash contributions.</li> <li>Analytical review.</li> </ul>
Rates	1,106	<ul style="list-style-type: none"> <li>Review of key processes and controls.</li> <li>Perform walkthroughs of the revenue cycle relating to rates.</li> <li>Sample testing of transactions.</li> <li>Perform cut-off testing.</li> <li>Analytical review.</li> </ul>

Significant Account	2020 Audited Balance \$'000	Audit Approach
Fees and charges	623	<ul style="list-style-type: none"> <li>• Review of key processes and controls.</li> <li>• Perform walkthroughs of the revenue cycle relating to fees and charges.</li> <li>• Sample testing of transactions.</li> <li>• Perform cut-off testing and review credit notes.</li> <li>• Assessment of requirements to conduct site visits to facilities operated where fees and charges are applied.</li> <li>• Analytical review.</li> </ul>
Other revenue, including interest earnings	80	<ul style="list-style-type: none"> <li>• Review of key processes/controls.</li> <li>• Perform walkthroughs of the revenue cycle relating to other revenue.</li> <li>• Sample testing of transactions.</li> <li>• Perform cut-off testing.</li> <li>• Review credit notes.</li> <li>• Analytical review.</li> </ul>
Employee related expenses	1,115	<ul style="list-style-type: none"> <li>• Review of key processes and controls.</li> <li>• Perform walkthroughs of the payroll cycle.</li> <li>• Sample testing of transactions.</li> <li>• Verify wages reconciliation.</li> <li>• Analytical review.</li> </ul>
Materials and contracts Utilities Insurance	1,100	<ul style="list-style-type: none"> <li>• Review of key processes and controls.</li> <li>• Perform walkthroughs of the purchasing and payments cycle.</li> <li>• Sample resting of transactions.</li> <li>• Analytical review.</li> </ul>
Depreciation and Amortisation	1,116	<ul style="list-style-type: none"> <li>• Review of management's assessment of the useful lives of assets and assess reasonableness.</li> <li>• Verify depreciation expenses to valuation reports (where applicable).</li> <li>• Perform re-calculation tests.</li> <li>• Analytical review.</li> </ul>
Other expenses, including interest expense	58	<ul style="list-style-type: none"> <li>• Review of key processes/controls</li> <li>• Perform walkthroughs of the purchasing and payments cycle.</li> <li>• Sample testing of transactions.</li> <li>• Agree interest expense to WATC confirmation.</li> <li>• Review listing of other expenses to identify large or unusual accounts and test accordingly.</li> <li>• Analytical review.</li> </ul>

The table below lists those significant financial statement disclosures or other auditable areas and our planned audit approach for these disclosures. When selecting significant disclosures, we consider materiality, the nature of the item, inherent risk and the sensitivity of disclosures.

Statement, Auditable Area and / or Disclosures	Audit Approach
Statement of Cash Flows and Cash Flow Reconciliation Note	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Review Statement of Cash Flows and reconciliation note calculations.</li> <li>Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.</li> </ul>
Legislative Compliance	<ul style="list-style-type: none"> <li>Ensure Shire of Wandering’s financial management policies and procedures are compliant with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Accounting Standards.</li> <li>Assess Shire of Wandering’s compliance with internal policy and procedures throughout the year, identify any instances of non-compliance which also resulted in legislative requirements not being met.</li> <li>Review draft annual financial statements to ensure compliance with Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards.</li> </ul>
Contingent Liabilities	<ul style="list-style-type: none"> <li>Review of internal controls.</li> <li>Enquiries of management.</li> <li>Assess Council’s disclosures of obligations under the Contaminated Sites Act 2003.</li> <li>Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.</li> <li>Determine if any contingent liabilities relating to waste facilities, contaminated sites or aluminium composite panelling.</li> </ul>
Capital and Leasing Commitments	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Enquiries of management.</li> <li>Verify disclosures to supporting calculations and documentation.</li> <li>Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.</li> </ul>
Related Party Transactions, including elected member remuneration, key management personnel compensation and transactions with related parties	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Enquiries of management.</li> <li>Obtain an understanding of the means utilised to identify related parties and record related party transactions.</li> <li>Verify elected members remuneration calculations and test on a sample basis. Analytical review.</li> <li>Verify key management personnel compensation calculations and test on a sample basis. Ensure KMP classifications correct.</li> <li>Assess related party transactions terms and associated fraud risks.</li> <li>Ensure completeness of disclosures.</li> <li>Identify any related parties with dominant influence.</li> <li>Ensure related party disclosures comply with AASB124.</li> </ul>
Financial Risk Management	<ul style="list-style-type: none"> <li>Review and assess effectiveness of internal controls.</li> <li>Review financial risk management note and reconciliation calculations.</li> <li>Ensure disclosures comply with the Local Government Act 1995 and Local Government (Financial Management) Regulations 1996.</li> </ul>

Statement, Auditable Area and / or Disclosures	Audit Approach
Internal Control and Risk Management	<ul style="list-style-type: none"> <li>Assess control environment including segregation of duties and level of independent review / checks in place.</li> <li>Ensure Council have established and maintained a risk management framework that is appropriate.</li> <li>Assess how management place a strong emphasis on the design, implementation and maintenance of internal control to prevent and detect fraud.</li> <li>Assess classes of transactions and account balances which are more susceptible to fraud and test accordingly.</li> </ul>
Fraud	<ul style="list-style-type: none"> <li>Assess control environment including segregation of duties and level of independent review / checks in place.</li> <li>Assess how management place a strong emphasis on fraud prevention and deterrence. Review reporting mechanisms to those charged with governance.</li> <li>Assess classes of transactions and account balances which are more susceptible to fraud and test accordingly.</li> <li>Review of unusual transactions, in particular near balance date which may have a significant effect on the result.</li> </ul>
IT	<ul style="list-style-type: none"> <li>Obtain an understanding of the IT general control environment.</li> <li>Perform tests to assess the effectiveness of IT general controls over the IT system, including both physical and logical access of the users, change management process and audit trail / transaction log.</li> </ul>
Accounting General Journals	<ul style="list-style-type: none"> <li>Assess control environment in respect to accounting general journal entry and level of independent review / checks in place.</li> <li>Sample testing of accounting general journals.</li> <li>Assess classes of transactions and account balances which are more susceptible to fraud and test any large or unusual accounting general journals accordingly.</li> <li>Review of unusual accounting general journals, in particular near balance date which may manipulate the result.</li> </ul>
Accounting Estimates	<ul style="list-style-type: none"> <li>Assess control environment in respect to accounting estimates and level of consultation / independent review / checks in place.</li> <li>Sample testing of application accounting estimates, ensuring significant assumptions used in making accounting estimates are reasonable.</li> <li>Assess classes of transactions and account balances which are more susceptible to fraud and test any large or unusual accounting estimates accordingly.</li> <li>Review of unusual accounting estimates, in particular those recorded or changed near balance date which may manipulate the result.</li> <li>Ensure accounting estimates disclosures comply with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards.</li> </ul>
Financial Ratios	<ul style="list-style-type: none"> <li>Determine basis of calculating individual financial ratios and annual reporting requirements.</li> <li>Establish Local Government's internal controls to capture financial ratio source data, including Long Term Financial Plan, Asset Management Plan, valuation reports etc.</li> <li>Ensure Long Term Financial Plan and Asset Management Plan(s) are</li> </ul>

Statement, Auditable Area and / or Disclosures	Audit Approach
	current, approved by Council and include ten years of data. <ul style="list-style-type: none"> <li>• Determine ratio's which require adverse trend reporting accordingly.</li> <li>• Ensure financial ratio calculations and disclosures comply with the Local Government Act 1995 and section 50 of the Local Government (Financial Management) Regulations 1996.</li> </ul>
New Accounting Standards application	<ul style="list-style-type: none"> <li>• Ensure the Shire's accounting policies and procedures are consistent with the requirements of AASB1059 (where applicable).</li> <li>• Test management's assessment of service concession assets and where applicable, a service concession liability to supporting documentation, balances and disclosures.</li> </ul>

## 7. Management Representation Letter

The above audit procedures assume that management expects to be in a position to sign a management representation letter. The proposed letter for this purpose is attached. This letter should be reviewed and tailored to meet your local government's particular circumstances, and be signed and dated by the CEO and Finance Officer 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.

Please bring to the attention of the President that we will also be relying on the signed Statement by CEO in the annual financial report as evidence that they confirm:

- 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.

## 8. Related Entities

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 entities that are in existence.

## 9. Reporting Protocols

### 9.1 AMD Reporting Requirements

AMD is to provide a report to the Auditor General to enable the Audit General to:

- form the audit opinion with respect to the Shire of Wandering's annual financial report;
- report any findings, significant control weaknesses and any other relevant matters arising from our audit procedures; and
- report any significant non-compliance with relevant legislation.

AMD will be required to form an opinion and report to the Auditor General whether the Shire of Wandering's financial statements:

- are based on proper accounts and records; and
- fairly represents, in all material respects, the results of the operations of the Shire of Wandering and its financial position for the years covered by the contract in accordance with the Act and, to the extent that they are not inconsistent with the Act, the Australian Accounting Standards.

## **9.2 Management Letter**

Significant issues identified during the course of our audit procedures will be discussed with relevant staff and management as soon as possible after being identified. Draft management letters will be provided to the CEO (or other nominated representative) for coordination of comments from appropriate members of your management. We request that these be returned promptly, preferably within 5 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 and the President. A copy will also be forwarded to the Minister when we forward our auditor's report on the annual financial report to the Minister on completion of the audit.

Specific matters resulting from issues identified during the audit may be reported in an Auditor General's Report to Parliament. Should this occur, you will be consulted in advance to assure the context and facts of the issue are adequately represented.

## **9.3 OAG Contract Reporting Requirements**

As OAG contractors we are required to report to the OAG as follows:

1. Complete Interim planning audit;
2. Prepare and provide OAG representative with interim audit findings and prepare interim management letter (if required);
3. Complete post 30 June year end audit;
4. Obtain signed Management Representation Letter from Shire of Wandering;
5. Prepare and provide OAG Representative with Signing Review Memo (SRM), Draft Management Letter, Draft Financial Report and Signed Management Representation Letter; and
6. Provide OAG Representative with access to audit workpapers.

## 10. Proposed Audit Schedule

	Date
Planning and issue of Interim Audit Checklist by AMD	11 May 2021
Entrance Meeting (Shire, OAG & AMD)	17 June 2021
Onsite Interim Audit by AMD	5 to 6 July 2021
AMD provide OAG clearance for Interim Audit Review including draft Interim Management Letter (week ending)	23 July 2021
OAG complete Interim Audit Review	30 July 2021
Interim Management Letter to be issued by OAG (if required)	6 August 2021
Issue of Year End Audit Checklist by AMD (week ending)	18 June 2021
Final Trial Balance to be provided to AMD by the Shire	30 September 2021
Draft Annual Financial Report to be provided to AMD by the Shire	30 September 2021
Onsite Final Audit by AMD	18 to 20 October 2021
AMD provide OAG clearance for Audit File Review including all applicable Contractor deliverables / reports (week ending)	19 November 2021
OAG complete Final Audit Review	26 November 2021
AMD issue exit meeting agenda and associated reports (Management Representation Letter, draft Management Letter and draft Audit Report)	3 December 2021
Exit Meeting (week ending)	To be scheduled dependent on above
AMD to provide the signed AMD Audit Report, stamped FS, signed SRM, final Management Letter and signed Representation Letter to OAG	Within 2 days of Exit Meeting
OAG to issue signed audit report and Management Letter to the Shire.	Within 5 days of Exit Meeting

The above proposed audit schedule is subject to change depending on individual circumstances.

## 11. Audit Evidence – 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 final audit with the CEO using our Audit Checklists.

We will issue an Interim Audit Checklist and Year-End Audit Checklist in advance of each audit visit. The checklists are intended to help Shire of Wandering staff to have various documents readily available when we perform our audit.

As the information requests contained within the Audit Checklists will form an important component of our audit working papers, the information must be made available to AMD on the dates specified. This will assist us in delivering an efficient audit and minimising interruptions to Shire staff.

Where information has not been made available to us one week prior to the interim visit or one week prior to our final visit (including draft annual financial report), we anticipate additional audit time may be incurred resulting in additional fees being charged.

## 12. Your Audit Team

	<b>Name</b>	<b>Contact</b>
<b>Contractor – AMD Chartered Accountants</b>		
Director	Maria Cavallo	(08) 9780 7555 maria.cavallo@amdonline.com.au
Alternate Director	Tim Partridge	(08) 9780 7555 tim.partridge@amdonline.com.au
Associate	Melanie Blain	(08) 9780 7555 melanie.blain@amdonline.com.au
Audit Manager/Team Leader	Nathan Supra	(08) 9780 7555 nathan.supra@amdonline.com.au
Auditor	Kellie Nicholson	(08) 9780 7555 kellie.nicholson@amdonline.com.au
<b>Office of the Auditor General</b>		
Auditor General	Caroline Spencer	(08) 6557 7500
OAG Representative Director	Jay Teichert	(08) 6557 7742 jay.teichert@audit.wa.gov.au

## **6. CLOSURE OF MEETING**

There being no further business the meeting closed at 2:28pm