

CITY OF WEST TORRENS



# Notice of Committee Meeting

**NOTICE IS HEREBY GIVEN** in accordance with Sections 87 and 88 of the Local Government Act 1999, that a meeting of the

## **AUDIT AND RISK PRESCRIBED COMMITTEE**

Members: Councillor S Rypp (Presiding Member),  
Councillor G Vlahos  
Independent Members: R Haslam, E Moran, S Spadavecchia

**of the**

**CITY OF WEST TORRENS**

will be held in the Mayor's Reception Room, Civic Centre  
165 Sir Donald Bradman Drive, Hilton

on

**TUESDAY, 12 JUNE 2018  
at 6.00pm**

**Terry Buss PSM  
Chief Executive Officer**

### **City of West Torrens Disclaimer**

Please note that the contents of this Committee Agenda have yet to be considered by Council and Committee recommendations may be altered or changed by the Council in the process of making the formal Council decision.

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**1 MEETING OPENED****1.1 Evacuation Procedures****2 PRESENT****3 APOLOGIES****4 DISCLOSURE STATEMENTS**

Committee Members are required to:

1. Consider Section 73 and 75 of the *Local Government Act 1999* and determine whether they have a conflict of interest in any matter to be considered in this Agenda; and
2. Disclose these interests in accordance with the requirements of Sections 74 and 75A of the *Local Government Act 1999*.

**5 CONFIRMATION OF MINUTES****RECOMMENDATION**

That the Minutes of the meeting of the Audit and Risk Committee held on 10 April 2018 be confirmed as a true and correct record.

**6 COMMUNICATION BY THE CHAIRPERSON****7 PRESENTATIONS**

Nil

## **8 OUTSTANDING REPORTS/ACTIONS**

### **8.1 Open Actions Update**

#### **Brief**

This report presents an update on the current status of open actions from previous meetings of the Audit and Risk Prescribed General Committee.

#### **RECOMMENDATION**

It is recommended to the Audit and Risk Committee that it notes there are no current open actions.

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#### **Introduction**

A report is presented to each ordinary meeting of the Audit and Risk Prescribed General Committee (Committee) detailing the status of open actions from previous Committee meetings.

#### **Discussion**

As detailed in Attachment 1, there are no open actions as at 31 May 2018.

#### **Conclusion**

This report advises that all open actions from previous meetings have been completed.

#### **Attachments**

##### **1. Open Actions Update June 2018**

June 2018

**EMT** = Executive Management Team  
**CEO** = Chief Executive Officer  
**GMB&CS** = General Manager Business & Community Services  
**GMCR** = General Manager Corporate & Regulatory  
**GMUR** = General Manager Urban Services  
**PLSR** = Program Leader Strategic Resilience

	Target date	RO	Status		Meeting/s where item originally raised/reported
			Actions taken	Status	
OPEN ACTIONS					
	Nil				

## **9 REPORTS OF THE CHIEF EXECUTIVE OFFICER**

### **9.1 FINANCIAL REPORTING AND SUSTAINABILITY**

#### **9.1.1 Financial Reporting**

##### **Brief**

This report lists those finance related reports which were considered by Council between 4 April 2018 and 5 June 2018.

##### **RECOMMENDATION**

It is recommended to the Audit and Risk Committee that the Financial Reporting report be received.

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##### **Introduction**

The Audit and Risk Prescribed General Committee (Committee) is presented with a list, at each of its ordinary meetings, of those finance related reports considered by Council since the Committee's last ordinary meeting. These reports and associated minutes, which are detailed below, are available on Council's website at [www.westtorrens.sa.gov.au](http://www.westtorrens.sa.gov.au).

##### **Discussion**

The following reports were considered by Council/Council Committee between 4 April 2018 and 5 June 2018.

##### **10 April 2018**

- Budget and Annual Business Plan 2018/19 (resumption)

##### **17 April 2018**

- Creditor Payments
- Property Leases
- Council Budget Report - Nine Months to 31 March 2018
- Mendelson Financial Report March 2018

##### **1 May 2018**

- Nil

##### **15 May 2018**

- Creditor Payments
- Taxi Voucher Usage
- Elected Members' Telephones
- Register of Allowances and Benefits - 9 Months to 31 March 2018
- Council Budget Report - TEN Months to 30 April 2018
- Budget Review for March 2018

##### **5 June 2018**

- Nil

##### **Conclusion**

This report lists finance related reports which were considered by Council between 4 April 2018 and 5 June 2018

##### **Attachments**

Nil

## 9.2 INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

Nil

## 9.3 INTERNAL AUDIT

### 9.3.1 2017-2018 Internal Audit Program Update

#### Brief

This report presents the 2017-2018 Internal Audit Program Update.

#### RECOMMENDATION

It is recommended to the Audit and Risk Committee that the 2017-2018 Internal Audit Program update report be received.

#### Introduction

An update report is provided to each ordinary meeting of the Audit and Risk Prescribed General Committee (Committee) on the status of current and, if appropriate, the previous Internal Audit Program.

#### Discussion

This report summarises the status of all planned audits contained in the 2017-18 *Internal Audit Program* (Program) as at 31 May 2018. The full internal audit program update is attached (**Attachment 1**).

#### Summary

Audit Status	Number
In Progress	4
Completed	7
Not Started	3
<b>Total Audits Programmed (excluding staged audits)</b>	<b>14</b>
Audit Status (Staged Audits)	Number
Staged Audits Complete	0
Staged Audits in Progress (Next Stage Not Started)	3
<b>Total Staged Audits</b>	<b>3</b>
<b>Cancelled/Deferred</b>	<b>1</b>
<b>Total Audits</b>	<b>18</b>

**Audits in Progress**

The following audits are in progress as at 31 May 2018:

1. The *Community Consultation* audit is currently underway. A draft report has been received and is being reviewed by the Management team. Report to be presented to the August Audit meeting.
2. The *Governance Framework* audit is currently underway. A draft report has been received and is being reviewed by the Management team. Report to be presented to the August Audit meeting.
3. The *Work Zone Traffic Management* audit is currently underway. A draft report has been received and is being reviewed by the Management team. Report to be presented to the August Audit meeting.
4. The *Contractor Management* audit is currently underway and is expected to be completed in August 2018.

**Audits Completed**

The following audits have been completed as at 31 May 2018:

1. Accounts Payable
2. Hazard register - WHS Controls
3. Land and Building (Sale and Conveyancing) Act 2010 (Section 12 Statements)
4. Food Act 2001
5. Information Fraud
6. Vic Roads Annual Audit
7. Internal Audit Recommendations

**Audits Not Started**

The following audits have not yet commenced:

1. *Business Continuity and Emergency Management Plan (Review and Exercise Event)* - Quotations and proposals from consultants have been received and are currently under review. The CWT Emergency Management and Business Continuity Plan is undergoing final review to ensure correlation with the recently released LGA's Emergency Management Plan. In addition, the Western Zone Emergency Management Committee is developing an exercise across the zone. Consequently, the exercise event detailed in the Internal Audit Plan is proposed in late 2018.
2. *Budget Planning and Strategic Planning Alignment Audit* - Scope to be drafted in June 2018 in consultation with relevant managers. Audit to commence in September 2018.
3. *Service Centre Procedures and Systems Audit* - Scope has been drafted and approved by managers. Scope is currently with auditors for quotation. Audit to commence in August 2018.

**Facilitative/Staged Audits in Progress**

The following three (3) facilitative and staged audits will continue to be progressed with activity spanning over multiple internal audit programs:

1. *Debtor Management* - Stage 1 complete. As per the discussion below, it is recommended that this audit be cancelled.
2. *Maintenance of Plant and Equipment* - Stage 1 complete. Stage 2 will be commencing in July 2018.
3. *Continuous Audit - Procurement Roadmap (CAPR)* - Stages 1, 2 and 3 complete. Stage 4 to be progressed in August 2018 as reported in the April 2018 agenda to the Audit and Risk Committee.



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**Audits Cancelled**

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The following audit has been cancelled:

1. Cash Handling Spot Audit was cancelled at the suggestion of the Audit Committee.

**Debtor Management Audit**

Galpins performed a gap analysis in May 2016 of existing debt collection processes used by the City of West Torrens against legislative requirements and general principles of good practice, including consideration of the debt collection policies / procedures of other councils. This gap analysis constituted stage 1 of a 2 stage audit as per the 2015-2018 Internal Audit Plan. The approved scope and the gap analysis presented as part of the report to the July 2016 meeting regarding stage 1 are attached (**Attachments 2 and 3**). The gap analysis indicated that the City of West Torrens' existing debt collection processes follow many good practice principals, and have a strong level of compliance with legislative requirements. Galpins made some recommendations regarding the development of a documented procedure to further clarify the City of West Torrens' position on some areas of debt collection.

At its February 2018 meeting, questions were raised by the Audit and Risk Committee regarding the organisational need to complete stage 2 of this audit given the positive results from stage 1. Galpins have also advised that they are confident in closing the audit early without completing stage 2 given the few risks identified in stage 1. Discussions with the General Manager Corporate and Regulatory have further highlighted that there is no need to pursue this audit.

It is therefore recommended that stage 2 of the Debtor Management audit be cancelled and the audit be marked as closed.

**Conclusion**

Following the deletion of the Cash Handling Spot Audit from the 2017-18 Internal Audit Program, seven (7) of the remaining planned seventeen (17) audits are complete as at the end of the fourth quarter.

Of the remaining ten (10) audits, seven (7) are in progress and three (3) have not started.

Overall fourteen (14) of the planned seventeen (17) audits (80%) are either complete or in progress.

**Attachments**

1. **2017-2018 Internal Audit Program Update**
2. **Debtor Management Audit Scope**
3. **Debtors Management Gap Analysis**

## Report as at 31 May 2018

## 2017/18 Internal Audit Program

Audit No.	Internal Audit	Audit Objectives	Quarter	Status	Comments
<b>Status of 2016/17 Internal Audits Carried Forward</b>					
1	Accounts Payable	<ul style="list-style-type: none"> <li>An appropriate approval process is in place and in line with the CEO sub-delegations and Administration Policy: Financial Authorities</li> <li>Internal controls are assessed and operating effectively, including separation of duties</li> <li>Expenditure registers are maintained where applicable, including the Local Government Act 1999 (s79 Register of allowances and benefits and s105 Register of remuneration, salaries and benefits)</li> <li>Alignment with the Enterprise Risk Management Framework/operational risk register</li> </ul> <p>Audit will also undertake data analysis of accounts payable data using data analytics software in order to analyse accounts payable data over an extended period.</p>	1	Complete	Final report was presented to the 10 October 2017 meeting of the Committee.
2	Hazard Register - WHS Controls	<p>The objectives of this audit are to evaluate and report on:</p> <ul style="list-style-type: none"> <li>Audit will sample departmental hazards from the each departments hazard register and review the: <ul style="list-style-type: none"> <li>completeness and existence of hazard registers and associated risk assessments</li> <li>processes and controls in place to ensure legitimacy</li> <li>linkage with the Enterprise Risk Management Framework through the use of the risk matrix.</li> </ul> </li> </ul>	1	Complete	Final report is presented to the 10 October 2017 meeting of the Committee

	Not Started	In Progress	Complete	Deferred	Cancelled
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## Report as at 31 May 2018

## 2017/18 Internal Audit Program

Audit No.	Internal Audit	Audit Objectives	Quarter	Status	Comments
3	Land and Building (Sale and Conveyancing) Act 2010 Section 12 Statements	The objectives of the review are to evaluate and report on the level of compliance with the: <ul style="list-style-type: none"> <li>• <i>Land and Building (Sale and Conveyancing) Act 1994</i></li> <li>• <i>(Sale and Conveyancing) Regulations 2010</i> (the Regulations)</li> <li>• Opportunities for the introduction of better practices and process improvement</li> </ul>	1	Complete	Final report was presented to the 10 October 2017 meeting of the Committee
4	Food Act 2001	The objectives of the review are to evaluate and report on the level of compliance with the: <ul style="list-style-type: none"> <li>• <i>South Australian Food Act 2001</i></li> <li>• <i>South Australian Food Regulations 2002</i></li> <li>• Australian Food Safety Standards</li> <li>• Opportunities for the introduction of better practices and process improvement</li> </ul>	1	Complete	Final report was presented to the 10 October 2017 meeting of the Committee
<b>Status of 2017/18 Internal Audits</b>					
<b>Assurance Audits</b>					
5	Business Continuity and Emergency Management Plan - Review and Exercise Event.	A surprise mock event or scenario designed to test the effectiveness and/or raise awareness of the Business Continuity Emergency Management Plan (BCP).	4	Not Started	Exercise event proposed in August 2018.
6	Budget Planning and Strategic Planning Alignment	An audit to provide assurance whether the budgeting process is aligned with the organisations strategic objectives (Community Plan) and obligations under the Local Government Act, 1999 & CWT Policies.	3	Not Started	Audit to commence in September 2018.
7	Community Consultation	An audit designed to determine the effectiveness of community consultation when aligning and forming key business strategies such as the Community Plan and associated corporate and departmental service plans.	2	In progress	The audit, undertaken by the Contract Internal Auditor, commenced in March 2018. A draft report has been received and is under review. A closing meeting has been booked for 7 June 2018.

	Not Started	In Progress	Complete	Deferred	Cancelled
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## 2017/18 Internal Audit Program

Report as at 31 May 2018

Audit No.	Internal Audit	Audit Objectives	Quarter	Status	Comments
8	Information Fraud	This organisation manages information of a confidential and commercially sensitive nature. This audit will test the robustness of the process of allocating and revoking information privileges.	2	Completed	Final report was presented to the 10 April 2018 meeting of the Committee.
<b>Legislative Audits</b>					
9	Governance Framework - Compliance with the Local Government Act.	An audit to determine whether the organisation is meeting its governance obligations under the Local Government Act, 1999.	4	In progress	This audit, undertaken by Norman Waterhouse, commenced in May 2018. A draft report was received 24 May 2018 and is currently under review.
<b>Third Party Audits</b>					
10	Vic Roads Annual Audit	Self-assessment mandated as part of the agreement with Vic Roads	1	Completed	The Enterprise Risk Officer completed this audit during July 2017.
<b>Spot Audits</b>					
11	Service Centre Procedures and Systems	This audit will test the provision of information from the Contact Centre aligns with the CWT telephone protocols, scripting, team agreements and stakeholder expectations.	3	Not Started	A scope has been drafted and the audit will commence in August 2018.
12	Internal Audit Recommendations	An annual audit designed to provide assurance that the agreed audit findings actions are being completed consistent with the original action.	3	Completed	<p>The purpose of this audit is to verify that internal audit recommendations which are agreed for actioning (agreed actions) are completed in line with the auditor's recommendation.</p> <p>Rather than undertake a specific audit, the internal auditor will align a verification process against the existing six-monthly agreed action report.</p> <p>At the time of the report, each completed agreed action will be verified against the intent of the original audit recommendation and/or against</p>

	Not Started	In Progress	Complete	Deferred	Cancelled
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## 2017/18 Internal Audit Program

## Report as at 31 May 2018

Audit No.	Internal Audit	Audit Objectives	Quarter	Status	Comments
-	Cash Handling	Spot audit to determine the adequacy of controls when handling cash across multiple sites. This audit relates to cash transactions that are not part of CWT core business or approved Fees and Charges such as drink/food sales, vending machines, fund raising, vending machines, business casual day etc.	-	Cancelled	<p>alternative measures which appropriately mitigate risk.</p> <p>An internal auditors statement of verification will be included as part of the Agreed Action Report.</p> <p>Cancelled at the suggestion of the Audit Committee.</p>
<b>WHS Audits</b>					
13	Traffic Management	A WHS/Legislative Compliance audit to determine whether CWT (or contractor) traffic management activities occur in line with legislation to ensure the safe movement of people throughout the city.	2	In Progress	The audit, undertaken by the Contract Internal Auditor, is in progress. A draft report was received in May 2018 and is currently under review. A closing meeting has been booked for 4 June 2018.
14	Contractor Management Audit	<p>The purpose of this audit is to:</p> <ol style="list-style-type: none"> <li>document progress against the 2012 audit findings and re-evaluate the overall compliance rating</li> <li>establish policy compliance against the WHS Act and Regulations</li> <li>report on departmental compliance against the current version of CWT Contractor Management Policy with emphasis on contractor induction, monitoring and evaluation.</li> <li>report on compliance with the WHS aspects of contractor engagement as part of the procurement process, specifically the WHS</li> </ol>	2	In Progress	The audit, undertaken by the Contract Internal Auditor is in progress. Data collection and interviews are underway.

	Not Started	In Progress	Complete	Deferred	Cancelled

## 2017/18 Internal Audit Program

Report as at 31 May 2018

Audit No.	Internal Audit	Audit Objectives	Quarter	Status	Comments
		information being provided and evaluated as part of the tender/quotation.			
<b>Facilitative Audits (Long term duration).</b>					
15	Maintenance Plant and Equipment - Operational Sites	<p><b>Stage 1 - Develop Solution Action Plan</b> An objectives and agreed outcomes report will replace the traditional audit findings report. This report will use internal resources to investigate those gaps previously identified and use a 'cause and effect' approach to identify and document:</p> <p><b>Gap Analysis (Internal Work Group)</b></p> <ul style="list-style-type: none"> <li>• What should be done;</li> <li>• What is currently being done;</li> <li>• Significant differences between 'what should' and 'what is' being done;</li> <li>• Assess the current residual risk in respect of continuing to operate in the current state.</li> </ul> <p><b>Outcomes (Internal Work Group)</b> The Audit objectives will be the benchmark from which to develop outcomes (solutions). The work group will design a project plan for management approval which identifies:</p> <ul style="list-style-type: none"> <li>• Proposed solutions against the relevant audit objective(s);</li> </ul>		<p><b>Stage 1 Complete</b></p> <p><b>Stage 2 Not Started</b></p>	<p>Stage 1 complete. The gap-analysis was presented to the July 2016 meeting of the Committee.</p> <p>Stage 2 of this Audit will commence in July 2018.</p>

	Not Started	In Progress	Complete	Deferred	Cancelled
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## 2017/18 Internal Audit Program

Report as at 31 May 2018

Audit No.	Internal Audit	Audit Objectives	Quarter	Status	Comments
		<ul style="list-style-type: none"> <li>• Non-compliance with the procurement policy</li> <li>• Loss of efficiency of resources and cost saving opportunities</li> <li>• Loss of contract protection, defensibility and probity issues resulting in external/internal investigation and/or negative financial controls</li> </ul> <p>Stage 4 also seeks to audit KPIS and metrics including spend analysis used in reporting.</p>		<p>Stages 2 &amp; 3 Complete</p> <p>Stage 4 Not Started</p>	

	Not Started	In Progress	Complete	Deferred	Cancelled
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## **Facilitative Audit**

# **Debt Management**

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### **Introduction**

The approved Internal Audit Program 2015-16 provides for a facilitative internal audit of Debt Management. The City of West Torrens (CWT) has not documented a debt management policy or debt methodology. At the same time long standing debt recovery outsourcing arrangements do not comply with Procurement Policies because of the absence of a competitive process and formal contract document.

However, debt management and collection is occurring and it should be acknowledged that CWT's outstanding rates as at 30 June 2015 is low at around 1.3% of total rates. The absence a broader debt methodology provides that for auditing purposes the debt management practices are immature and therefore a facilitative audit is the preferred audit approach.

### **Audit Objectives**

Facilitative audits aim to quickly assess the current state of immature practices and to work with stakeholders through facilitation, advice and consultation to identify process gaps and to establish risk based objectives and agreed outcomes which comply with internal policies, relevant legislation and ensures risk is managed to an acceptable level.

### **Audit Scope**

Stage 1: The objectives of the audit are to work with stakeholders to:

- Undertake a risk assessment against the process of debt management in its current state.
- Undertake high level benchmarking of debt management policies and debt ratios within the local government sector to propose methodologies which are effective and efficient in managing debt.
- To assess the current state of debt management and document a risk-based gap analysis which proposes findings for implementation.

Stage 2: The objectives of the audit are to work with stakeholders to:

- Develop debt management policy/methodology content including documenting the processes for debt escalation, recovery, waiver or write off.
- Develop a technical specification to quote for services with reference to correcting those gaps and/or control weaknesses identified and/or review options available through pre-existing purchasing panels.

## Approach

A key component of the audit is to conduct interviews with key managers/supervisors, staff and stakeholders to establish any issues, concerns and potential improvements. The Program Leader Internal Audit and Risk will discuss the scope and overview of work to be performed with the Manager Financial Services prior to the commencement of testing.

A review of available documentation such as legislation, policies, agreements, procedure manuals, performance reports etc will be undertaken. This is critical in supporting review comments and providing evidence to support audit conclusions. Field-testing may be undertaken to establish whether or not controls are in place and are effective in addressing extreme or high risks.

The audit is to be assessed using CWT approved Risk Management Framework and tools.

## Proposed Audit Team

<b>Internal Work Group</b>	
Finance Department	Manager Financial Services
Finance Department	Rates Coordinator and/or Rates and Recovery Officer
Procurement	Procurement Officer
<b>Independent Assurance Auditor</b>	
Galpins	Partner and/or Senior Associate

## Risks

Potential risks associated with Debt Management include as identified by Internal Audit include, but is not limited to:

- Council does not raise the correct level of rate income.
- Inconsistent approach to debt management resulting in:
  - Letters of complaint
  - External investigations
  - Council decisions being overturned and/or;
  - Media coverage resulting in reputation damage.
- Procurement policies are not adhered to resulting in reduced opportunity for cost savings and better practice opportunities

## General Administration

This audit will be performed by Galpins.

Initial planning, interview and scoping commenced on April 2016 with fieldwork and reporting to be conducted between April and June 2016.

A draft report will be issued at each stage for comment and to allow for corrections of fact and management comments to be incorporated. The final report will be issued to the Executive Management Team for approval.

The final approved report at each stage will also be tabled at the Audit and Risk Committee meeting for review.

The draft report for management consideration should be completed by the end of June 2016.

## Audit Findings and Recommendation Ratings

### Compliance Rating

*Findings are classified as having a good level of compliance, a substantial level of compliance, a partial level of compliance or as being not compliant.*

*Recommended actions are classified as corrective where they relate directly to legislative, policy or procedural requirements and/or present an unacceptable level of risk to Council and improvement where they are in response to generally accepted industry standards or better practice.*

*Definitions are as classified in the table below.*

<i>Non compliant</i>	<i>There is no evidence of compliance with legislation, policy, procedure and/or internal controls.</i>
<i>Partial level of compliance</i>	<i>There is partial evidence of compliance with legislation, policy, procedure and/or internal controls.</i>
<i>Substantial level of compliance</i>	<i>There is a substantial level of compliance with legislation, policy, procedure and/or internal controls.</i>
<i>Good level of compliance</i>	<i>There is a good level of compliance with legislation, policy, procedure and/or internal controls.</i>

### Control Risk Rating

*Findings/issues are classified in accordance with a risk rating consistent with Council's Risk Management Framework so that recommendations are reported as:*

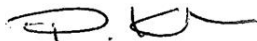
- *Extreme risk recommendations*
- *High risk recommendations*
- *Moderate risk recommendations*
- *Low risk recommendations*
- *Better practice or improvement recommendations*

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**Sign Off**

I have read the above Internal Audit Assignment Plan and I am satisfied the objectives and scope meet the expectations for this audit.

Signed



General Manager Business and  
Community Services

Date 21/4/18



Accountants, Auditors &amp; Business Consultants

## City of West Torrens

### Debt Collection Process Gap Analysis May 2016 - Overview

The Council does not currently have a debt collection policy. Whilst the existence of a debt collection policy is included in the *Better Practice Model – Financial Internal Control for SA Councils* as a “core control”, it is not a mandatory or legislative requirement to have one. Administration is of the view that a debt collection policy is not necessary, and instead that introducing an internal documented debt collection procedure to assist with knowledge transfer and succession planning for the future will be of benefit to Council.

Galpins has performed a gap analysis of existing debt collection processes used by Council against legislative requirements and general principles of good practice, including consideration of the debt collection policies / procedures of other SA Councils. This gap analysis forms an important input into the development of a new documented procedure.

The gap analysis indicates that Council’s existing debt collection processes follow many good practice principals, and have a strong level of compliance with legislative requirements.

The development of a documented procedure provides the opportunity to clarify Council’s position on some areas of debt collection, including:

- guidelines around the application of s184 (sale of land for non-payment of rates);
- formalising Council’s position on the use of discounts and other incentives to encourage prompt payment, and application of penalties for late payment;
- the nature and frequency of reporting of debtor data;
- guidelines for debt collection action for sundry debtors (currently at the discretion of responsible managers);
- the use of payment plans / other flexible payment options; and
- remission and postponement of payment for sundry receivables.

**Full details of the Gap Analysis are provided in the attached table.**

## **9.4 EXTERNAL AUDIT**

### **9.4.1 BDO Annual Audit Plan & Engagement letters**

#### **Brief**

This report provides the Audit and Risk Prescribed Committee with BDO's Annual Audit Plan and Engagement letters in relation to the 2017/18 external audit.

#### **RECOMMENDATION**

It is recommended to the Audit and Risk Prescribed Committee that BDO's correspondence be received.

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#### **Introduction**

Council's appointed external auditor, BDO, has submitted its 2017/18 Annual Audit Plan and its engagement letters for internal controls and financial statements.

#### **Discussion**

The following reports have been presented by our External Auditors for the 2017/18 financial year audit:

1. 2018 Annual Audit Plan
2. 2018 Assurance engagement letter on internal controls
3. 2018 Terms of engagement letter on our Financial Statements

#### **Conclusion**

This report presents our external auditors Annual Audit Plan and Engagement letters.

#### **Attachments**

1. **2018 BDO Annual Audit Plan**
2. **2018 BDO Engagement letter Internal Controls**
3. **2018 BDO Engagement letter Financial Statements**

# CITY OF WEST TORRENS

## Annual Audit Plan

Year ended 30 June 2018





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## KEY CONTACTS

Executive summary

Audit objectives and approach

Risks of material misstatement

Engagement team

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Fees 3



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## EXECUTIVE SUMMARY



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# EXECUTIVE SUMMARY

Introduction

Scope of engagement

We have set out in this document the key considerations in relation to our audit of City of West Torrens (the Council) for the year ended 30 June 2018. This summary covers those matters we believe to be material in the context of our work.

The scope of our work, as set out in our engagement letter issued on XX March 2018, is to carry out

1. The audit of the financial report of the Council, which comprises the statement of financial position as at 30 June 2018, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information, and the certification of financial statements.
2. The audit of the controls exercised by the Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Our engagement letter is effective for future years unless it is replaced, terminated amended or superseded. This audit plan supplements the engagement letter.

Audit objectives and approach

Risks of material misstatement

Engagement team

The objectives of the audit and key information on our audit approach are set out in section 2.

The risks of material misstatement identified in our planning are set out in section 3.

The key members of the engagement team are detailed in section 4.

Executive summary

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Engagement team

Appendices

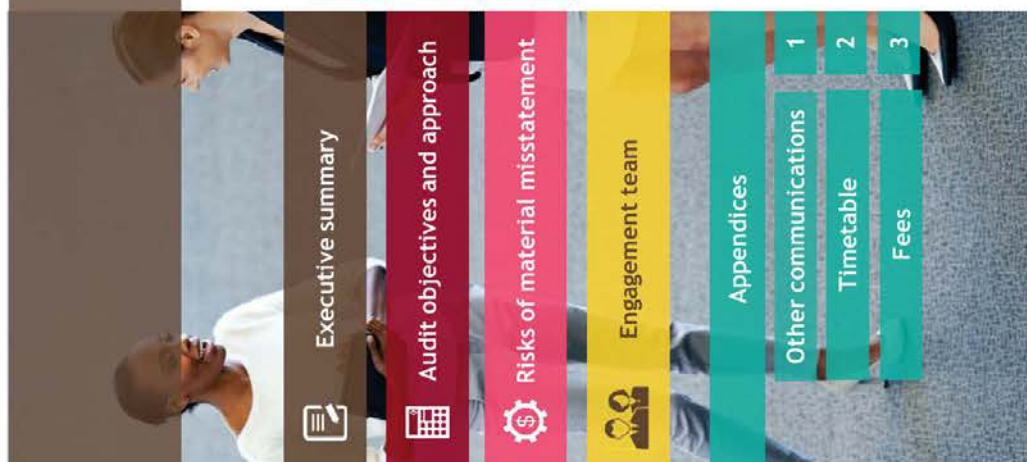
1 Other communications

2 Timetable

3 Fees



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# EXECUTIVE SUMMARY (CONTINUED)

- Independence
- Timetable
- Fees

We confirm that we have complied with the ethical requirements regarding our independence as your auditor. Please refer to Appendix 1 for more details.

A timetable has been prepared in accordance with your reporting requirements. This timetable covers our on-site visits, key meeting dates and reporting deadlines. Please refer to Appendix 2 for details.

Our fees for the scope of work set out in the engagement letter are \$24,750 (GST inclusive). Please refer to Appendix 3 for details.





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# AUDIT OBJECTIVES AND APPROACH



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# AUDIT OBJECTIVES AND APPROACH

## Audit objectives

The objective of the audit is to enable us to express an opinion as to whether:

- The financial report is prepared, in all material respects, in accordance with Australian Accounting Standards, the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011, and
- Controls exercised by the Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law based on criteria established in the Better Practice Model - Financial Internal Control for South Australian Councils issued by the Local Government Association of South Australia.

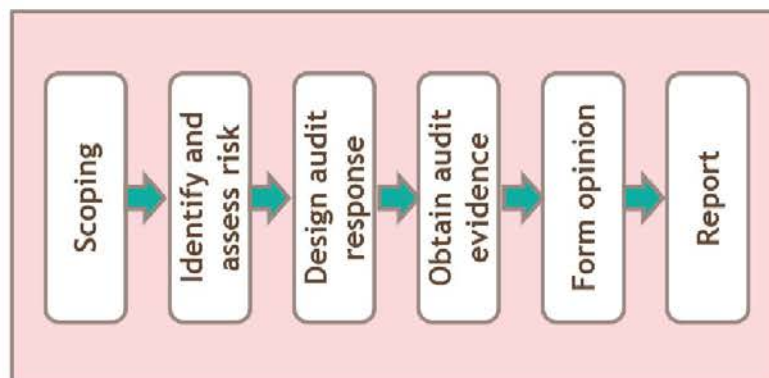
## Our approach

Our audit is performed in accordance with the BDO Audit Approach which consists of six phases and is documented using our global audit tool, APT.

The approach is centred around:

- Obtaining an understanding of the business being audited from an internal and external point of view
- Assessing the risk of material misstatements and the controls in place to address and prevent these risks
- Choosing appropriate procedures to obtain evidence, including the use of data analytics where appropriate
- Ensuring rigorous quality control over audit performance
- Providing constructive ideas for improving internal controls and business systems.

Other key aspects of the approach are set out on subsequent pages.





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# AUDIT OBJECTIVES AND APPROACH

## Audit quality and professional scepticism

To support and promote audit quality at BDO, we have developed an Audit Quality Framework (AQF) that sets out the key drivers of audit quality, including the specific attributes that are important for audit quality to be maintained and enhanced. Refer to our [Transparency report](#) for further information.

The AQF recognises that professional scepticism is essential to obtain audit evidence which is sufficient and appropriate to reduce the likelihood of a material misstatement to an acceptable level.

Professional scepticism is defined in the auditing standards 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.'

The application of professional scepticism by all members of the engagement team is central to BDO's Audit Approach.

## Going concern

As part of our audit we will review management's assessment of the ability of City of West Torrens to continue as a going concern for the 12 months from the date of signing the financial report and therefore whether the going concern basis for the preparation of the financial report is appropriate.

As part of this process we require management to document their assessment of going concern (including cash flow projections for 12 months after the expected date of approval of the financial report), and we will be reviewing actual outcomes against previous estimates and representations made by management.



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# AUDIT OBJECTIVES AND APPROACH

## Materiality

Materiality means, in the context of an audit, if financial information is omitted, misstated or not disclosed it has the potential to (adversely) affect the decisions of users of the financial report.

Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the effect of misstatements. Materiality is initially calculated at the planning stage and re assessed prior to providing our opinion. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.

During the course of our audit we may identify misstatements and these will be reported to you at the conclusion of our work based on our assessment of materiality at that stage (this may have been updated from the materiality calculated at the planning stage). It should be noted that the auditing standards do not require us to communicate misstatements that are considered 'clearly trivial' and as such, if we identify such misstatements we will not communicate these to you.

## Fraud

During the course of our audit we make enquiries of those charged with governance, management and others to identify any known instances of fraud. We also make enquiries to understand where you consider the risks are in relation to fraud and if you have any knowledge of actual or suspected fraud. This also includes considering the risk of management override of controls. 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.



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# OUR APPROACH

## Internal control

In accordance with the auditing standards, we obtain an understanding of the system of internal control relevant to the audit to assist us with our risk assessment procedures. Our understanding covers the five areas listed below:

- The overall control environment
- The entity's risk assessment process
- The information system, including the related business processes, relevant to financial reporting, and communication
- Control activities relevant to the audit
- Activities the entity uses to monitor internal control relevant to financial reporting.

We communicate to the Audit and Risk Committee in writing any significant deficiencies that come to our attention during the audit on a timely basis.

In addition we communicate with management the significant deficiencies being reported to those charged with governance and any other deficiencies identified that in our judgement are of sufficient importance to merit management's attention.



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# AUDIT OBJECTIVES AND APPROACH

## Laws and regulations

We make enquiries in relation to any non-compliance with laws and regulations impacting the period under audit. Should we become aware of any instances of non-compliance with laws and regulations which would materially impact on the financial position or performance of the entity, then we will report them to you on a timely basis to consider the impact on the financial report.

## Confirmations

In accordance with auditing standards we will be sending the following confirmation requests:

- Bank confirmations; and
- Solicitor's representation letter.

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## RISKS OF MATERIAL MISSTATEMENT



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# RISKS OF MATERIAL MISSTATEMENT

In line with our audit approach, and based on our understanding of City of West Torrens, we have identified and assessed the risks of material misstatement at both the engagement and assertion level.

Our audit procedures are focused on areas that are considered to represent risks of material misstatement to the financial report or in relation to controls. We have identified the following risk areas based on our historical knowledge of the Council, and will update these as part of our risk assessment procedures during the planning phase.

Further discussions will be held with management prior to the commencement of our audit to determine whether any additional risks exist in relation to the year ending 30 June 2018, and to determine which risks we will consider to be significant for the purpose of our audit.

Risk description
Revaluation, depreciation, useful lives and residual values of Infrastructure, Land & Buildings
Accounting treatment for items captured within Capital WIP
Accounting treatment for grant funding
Management Override of Internal Controls - presumed risk under Australian Auditing Standards

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# RISKS OF MATERIAL MISSTATEMENT

## Our planned responses

Our response to the risks identified above will be to obtain an understanding of Council's controls that are relevant to those risks, including control activities, evaluate the design, implementation and operating effectiveness of these controls, and perform substantive procedures that are specifically responsive to the individual risks.

This may include where applicable:

- Reviewing the documentation provided to management including any supporting correspondences from relevant third parties, the Council's legal advisors and other consultants to confirm our understanding of the specific circumstances for each item.
- Holding discussions with key Council staff members involved in managing the risk and those responsible for recording the impact in the financial report and review responses from legal representation letters sent to legal representatives.
- Working with Council staff to assist in the interpretation and application of the financial reporting framework applying to Council.
- Additional detailed testing of transactions or balances.
- Ensuring that mitigating controls are appropriately designed and implemented, and are operating effectively throughout the period.



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## 00 ENGAGEMENT TEAM



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# ENGAGEMENT TEAM

The following staff members have been assigned to your engagement team. Any changes to key members of the engagement team will be communicated to you on a timely basis.

Role	Name	Telephone	Email address
Engagement partner	Andrew Tickle	+61 8 7324 6082	andrew.tickle@bdo.com.au
Engagement manager	Linh Dao	+61 8 7324 6147	linh.dao@bdo.com.au
Senior in charge	Jack Tonkin (interim) Doan Hoang (final)	+61 8 7421 6031 +61 8 7421 1453	jack.tonkin@bdo.com.au doan.hoang@bdo.com.au





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# APPENDICES



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# APPENDIX 1

## Other communications

### Ethics and independence

In conducting our audit, we are required to comply with the independence requirements of the *Local Government Act 1999, the Local Government (Financial Management) Regulations 2011* made under that act and s290 of APES 110 *Code of Ethics for Professional Accountants*.

We obtain independence declarations from all staff engaged in the audit. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

Should any independence matters be raised, we will bring them to your immediate attention.

For the comfort of those charged with governance, we note that the following processes assist in maintaining our independence:

- Restrictions on BDO employees having financial interests in audit clients
- No other work is permitted to be undertaken by any BDO division or office without the express approval of the engagement director/partner
- Services including valuation and similar services are specifically prohibited to be provided by any other BDO office to you.

BDO has not provided any other services during the year to the Council.



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# APPENDIX 1

## Other communications (continued)

### Communications with those charged with governance

City of West Torrens has an Audit and Risk Committee. It is usual practice for the auditor to liaise with the Audit and Risk Committee. All our reporting will be to the Mayor.

To enhance our communication and to reduce any potential expectation gaps with clients, BDO has adopted a structured reporting system. We will communicate with Audit and Risk Committee and management via:

- This audit plan
- An interim management letter
- An audit completion report at the conclusion of the audit

Communications will include the following matters:

- Our response to identified risks of material misstatement
- Expected modifications to the audit report
- Corrected and uncorrected misstatements
- Significant deficiencies in internal control and any other deficiencies identified that in our judgement are of sufficient importance to merit management's attention
- Views about the qualitative aspects of the entity's accounting practices and financial reporting including the application of Accounting Standards by management
- Changes in significant accounting policies
- Material uncertainties relating to the entity's ability to continue as a going concern
- Any matters of governance interest identified, including any specifically required by Auditing Standards
- New developments.



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# APPENDIX 2

## Timetable

We have set out below the timing of significant milestones to include on-site visits, key meeting dates and reporting deadlines with respect to the completion of the audit.

Milestone	Responsibility	Date
Audit and Risk Committee meeting and submission of Annual audit plan	BDO & the Council	April 2018
Interim audit visit - internal control & financial statements	BDO & the Council	The week commencing 14 <sup>th</sup> May 2018
Management letter for interim audit visit	BDO & the Council	30 <sup>th</sup> July 2018
Financial Statements ready for audit	BDO & the Council	By 10 <sup>th</sup> September 2018
Final audit visit commences	BDO & the Council	7 days commencing 10 <sup>th</sup> September 2018
Closing meeting with the auditors	BDO & the Council	By 21 <sup>st</sup> September 2018
Submission of Audit Completion Report	BDO	By 2 <sup>nd</sup> October 2018



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## APPENDIX 2

### Timetable (continued)

Milestone	Responsibility	Date
Chief Executive Officer and Principal Member of the Council to approve and sign off Regulation 14 Certification of Financial Statements, Certificate of Auditor Independence and management representation letter	The Council	By 30 <sup>th</sup> October 2018
Issue Independent Auditor's Reports and Statement by Auditor in relation to Independence	BDO	By 30 <sup>th</sup> October 2018
Financial statements presented to Council	The Council	6 <sup>th</sup> November 2018



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## APPENDIX 3

### Fees

The proposed fee for all services provided for the year ending 30 June 2018 is \$24,750 (GST inclusive). The fee encompasses the audit of:

- Annual financial statements of City of West Torrens
- Internal Controls
- Road to Recovery Chief Executive Officer's Financial Statement
- LGAWCS Actual Wages Declaration; and
- Max & Bettie Mendelson Foundation.

#### Assistance required

In order to keep our time and costs to a minimum, we appreciate your assistance with the following:

- Management providing all deliverables in line with the agreed timetable
- Assistance from your staff with supporting documentation and explanations during the audit process
- Disclosure by your staff of all information relevant to the engagement in a timely manner.



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We have prepared this report solely for the use of City of West Torrens . As you know, this report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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GPO Box 2018, Adelaide SA 5001  
AUSTRALIA

Mr Bill Ross  
General Manager Corporate and Regulatory  
City of West Torrens  
165 Sir Donald Bradman Drive  
HILTON SA 5033

23 March 2018

Dear Mr Ross

## **ASSURANCE ENGAGEMENTS ON CONTROLS**

### **Design and Operating Effectiveness of Controls**

You have requested that we undertake a reasonable assurance engagement on the design of controls established by City of West Torrens in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, and the operating effectiveness of these controls throughout the period 1 July 2017 to 30 June 2018 in accordance with the requirements of the Local Government Act 1999. The control objectives to be addressed are specified by legislation, which are that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities are conducted properly and in accordance with law.

We are pleased to confirm our acceptance and our understanding of this reasonable assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of expressing an opinion on the suitability of the design of controls within City of West Torrens's systems to achieve the stated control objectives, and the operating effectiveness of those controls throughout the period.

### **Responsibilities of the assurance practitioner**

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3150 *Assurance Engagements on Controls*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives, and the controls operated effectively throughout the period. An assurance engagement involves performing procedures to obtain evidence about the design, description and operating effectiveness of controls.

The procedures selected depend on the assurance practitioner's professional judgement, including the assessment of the risks of material deficiencies in the design or deviations in the operating effectiveness of the controls.

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Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of controls there is an unavoidable risk that some deficiencies in the design or deviations in the operating effectiveness of controls may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

**The responsibilities of management and identification of the applicable control framework**

Our assurance engagement will be conducted on the basis that management acknowledges and understands that they have responsibility:

- a) that throughout the period, in all material respects, and based on suitable criteria:
  - i. the controls within City of West Torrens's system were suitably designed to achieve the identified control objectives; and
  - ii. the controls operated effectively to achieve the control objectives;
- b) for the identification of suitable control objectives which are specified by law in relation to the system;
- c) for the identification of risks that threaten achievement of the control objectives identified;
- d) for design of the system, comprising controls which will mitigate those risks so that those risks will not prevent achievement of the identified control objectives and therefore that the control objectives will be achieved;
- e) for operation of the controls as designed throughout the period;
- f) to provide us with:
  - i. access to all information of which those charged with governance and management are aware that is relevant to the description of the system and design and operation of the controls within that system;
  - ii. additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
  - iii. unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from management written confirmation concerning representations made to us in connection with the engagement.

**Assurance Approach**

We will examine and evaluate the controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities.

Due to the complex nature of internal control, our assurance procedures will not encompass all individual controls at City of West Torrens, but will be restricted to an examination of those controls reported which achieve the control objectives specified by legislation.





### **Assurance Procedures**

Our assurance procedures will include:

- a) obtaining an understanding of the control environment of City of West Torrens relevant to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) evaluating the design of specific controls by:
  - i. assessing the risks that threaten achievement of the control objectives; and
  - ii. evaluating whether the controls described are capable of addressing those risks and achieving the related control objectives;
- c) making enquiries, inspecting documents, conducting walk throughs and re-performance of controls to ascertain whether the degree of compliance with controls is sufficient to achieve their control objectives throughout the period.

### **Assurance Report**

The format of the report will be in accordance with ASAE 3150 with respect to reasonable assurance engagements. An example of the proposed report is contained in the appendix to this letter.

Our opinion will be phrased in terms of the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls as designed.

### **Material Deficiencies in Design or Deviations in Operating Effectiveness of Controls]**

We will issue an assurance report without modification, to provide a reasonable assurance conclusion on the controls relevant to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities where our procedures do not identify a material deficiency in the design of controls necessary to achieve the control objectives, or deviation in the operating effectiveness of controls as designed. For this purpose, a material deviation, misstatement or deficiency exists when:

- a) the controls as designed or the degree of compliance with them will not or may not achieve the control objectives in all material respects; and
- b) knowledge of that deficiency or deviation would be material to users of the assurance report.

If our assurance engagement identifies that there are material deficiencies in the design or deviations in the operating effectiveness of controls during the period covered by the report, such deficiencies or deviations will be disclosed in our report even if they were corrected prior to the end of the reporting period. However, our report will indicate that such deviations were corrected if that is the case. If any material deficiencies or deviations disclosed in our report have been corrected subsequent to this period (or are in the process of being corrected), we will refer to this in our report.



Although the primary purpose of our assurance engagement will be to enable us to issue the above described report, we may also provide you with a letter containing recommendations for strengthening controls if such matters are observed during the process of the assurance engagement. Although issues raised may not represent deficiencies in design or deviations in operating effectiveness of the controls which are material to our conclusion, our recommendations will address areas where we believe controls could be improved.

We look forward to full cooperation from your staff during our assurance engagement.

**Terms of Trade**

The terms of this engagement are per the Professional Services Period Agreement No. CWT201700126 for Statutory Audit Services.

Yours sincerely

**BDO Audit (SA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Andrew Tickle', is written over a light blue horizontal line.

Andrew Tickle  
Director



## APPENDIX 1

### DRAFT INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF CITY OF WEST TORRENS

#### Scope

We have undertaken a reasonable assurance engagement on the design and the operating effectiveness of controls established by City of West Torrens ("the Council") in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, throughout the period 1 July 2017 to 30 June 2018 relevant to ensuring such transactions have been conducted properly and in accordance with law.

#### The Council's Responsibility for the Internal Controls

The Council is responsible for:

- a) the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities;
- b) identifying the control objectives;
- c) identifying the risks that threaten achievement of the control objectives;
- d) designing controls to mitigate those risks, so that those risks will not prevent achievement of the identified control objectives; and
- e) operating effectively the controls as designed throughout the period.

#### Our Independence and Quality Control

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. In accordance with Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements, BDO Audit (SA) Pty Ltd maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### Assurance Practitioner's Responsibility

Our responsibility is to express an opinion on the suitability of the design to achieve the control objectives and operating effectiveness of controls established by Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3150 Assurance Engagements on Controls issued by the Auditing and Assurance Standards Board. That standard requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operated effectively throughout the period.



An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness of those controls that we consider necessary to achieve the control objectives identified. An assurance engagement of this type also includes evaluating the suitability of the control objectives.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Limitations of Controls**

Because of the inherent limitations of any internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved and so fraud, error, or non-compliance with laws and regulations may occur and not be detected.

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

#### **Opinion**

Our opinion has been formed on the basis of the matters outlined in this report.

In our opinion, in all material respects:

- (a) the controls established by the Council in relation to financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities were suitably designed to ensure such transactions have been conducted properly and in accordance with law; and
- (b) the controls operated effectively as designed throughout the period from 1 July 2017 to 30 June 2018.

**BDO Audit (SA) Pty Ltd**

Andrew Tickle  
Director

Adelaide, XX Month 20XX





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GPO Box 2018, Adelaide SA 5001  
AUSTRALIA

Mr Bill Ross  
General Manager Corporate and Regulatory  
City of West Torrens  
165 Sir Donald Bradman Drive  
HILTON SA 5033

23 March 2018

Dear Mr Ross

## **TERMS OF ENGAGEMENT - AUDIT**

The purpose of this letter is to set out the basis on which BDO Audit (SA) Pty Ltd (BDO) acts as auditors of City of West Torrens (the Council) and the respective areas of responsibility of the Council's officers and of BDO.

### **Audit of the financial report**

#### **The objective and scope of the audit**

You have requested that we audit the financial report of City of West Torrens which comprises the statement of financial position as at 30 June 2018, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies, and the certification of the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

The objectives of our audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

#### **The responsibilities of the auditor**

We will conduct our audit in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements. As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Council's officers.
- Conclude on the appropriateness of Council officers' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

#### **The responsibilities of Council's officers and identification of the applicable financial reporting framework**

Our audit will be conducted on the basis that the Council's officers acknowledge and understand that they have responsibility:

- a) For the preparation and fair presentation of the financial report in accordance with the *Error! Unknown document property name.* and Australian Accounting Standards
- b) For such internal control as Council's officers determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error and
- c) To provide us with:
  - i. Access to all information of which Council's officers are aware that is relevant to the preparation of the financial report whether obtained from within or outside of the general and subsidiary ledgers, such as records, documentation and other matters including access to information relevant to disclosures;
  - ii. Additional information that we may request from Council's officers for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
- d) To inform us of any documents that you expect to issue that may comprise other information;
  - i. If the other information is provided prior to the auditor's report date; the financial report and any other information obtained prior to the date of the auditor's report will be consistent with one another, and the other information will not contain any material misstatements;
  - ii. If the other information is not provided prior to the auditor's report date; to provide and/or issue such other information that will enable us to complete our required procedures.





As part of our audit process, we will request from Council's officers and where appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

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

#### **Other requirements**

Council's officers will inform us of any material event occurring between the date of our report and the date of issue of the financial report, which may affect the financial report.

#### **Expected form and content of the auditor's report**

We have included an example audit report in Appendix 1 to this letter, which reflects the form and content of the auditor's report, in the circumstance where the auditor has concluded that an unmodified opinion is appropriate based on the audit evidence obtained, including the reporting on other information. The form and content of our report may vary from the example in light of our audit findings.

#### **Fees**

Our audit fees will be confirmed through our annual audit plan and will be consistent with our audit tender.

Our fees are based on our understanding of your current operations and the required scope of the engagement. If these alter, the estimated fee will need to be revised.

Our fees do not include any advice or assistance that may be given in respect of accounting issues. Whilst brief ad hoc advice provided in the course of our engagement is generally included in our proposed fee, formal advice, assistance with complex issues or meetings to discuss these issues which necessitate increased professional time will fall outside the scope of our proposed engagement fee. Fees for any assistance provided in this regard will be negotiated prior to the services being performed.

The fees assume that all engagement schedules and reports will be available upon commencement of the engagement and that the financial report will be prepared by your staff. If schedules and reports are not provided within the agreed timetable, additional costs may be incurred and charged to you.

Should these assumptions not remain valid, we will inform you prior to the occurrence of additional costs.

#### **Other matters under the Local Government Act 1999**

##### **Independence**

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Local Government Act 1999* in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements of the *Local Government Act 1999*, we shall notify you on a timely basis. As part of our audit process, we shall also provide you with a written independence declaration as required by the *Local Government Act 1999*.

##### **Enquiries from oversight bodies**

The Council's officers shall notify BDO of any enquiries, such as financial reporting surveillance enquiries, from any oversight body that relate to the audit engagement as soon as practicable.



**Presentation of the audited financial report on the internet**

If you intend to electronically present the audited financial report and auditor's report on your web site or any other digital media, the security and controls over information on the relevant web site shall be addressed by the entity to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of audited financial information on the entity's web site is beyond the scope of the audit of the financial report. Responsibility for the electronic presentation of the financial report on the entity's web site is that of the governing body of the entity.

**Terms of Trade**

The terms of this engagement are per the Professional Services Period Agreement No. CWT201700126 for Statutory Audit Services.

Yours faithfully

**BDO Audit (SA) Pty Ltd**

A handwritten signature in blue ink, appearing to read 'Andrew Tickle', is written over a faint, light blue circular stamp.

Andrew Tickle  
Director



## APPENDIX 1

### DRAFT INDEPENDENT AUDITOR'S REPORT TO THE PRINCIPAL MEMBER OF CITY OF WEST TORRENS

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of City of West Torrens (the Council), which comprises the statement of financial position as at 30 June 2018, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the certification of the financial statements.

In our opinion the financial report of City of West Torrens, presents fairly, in all material respects, the Council's financial position as at 30 June 2018 and its financial performance for the year ended on that date in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Council's officers) Regulations 2011*.

##### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the *Local Government Act 1999* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Local Government Act 1999*, which has been given to the Council, would be in the same terms if given to the Council as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Information Other than the Financial Report and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report is Other Information.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report of the City of West Torrens, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard



### **Council's responsibility for the Financial Report**

The Council's officers are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the *Local Government Act 1999* and the *Local Government (Financial Council's officers) Regulations 2011* and for such internal control as the Council's officers determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

**In preparing the financial report, the Council's officers are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council's officers either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.**

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: [http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf).

This description forms part of our auditor's report.

**BDO Audit (SA) Pty Ltd**

Andrew Tickle  
Director

Adelaide, XX October 2018

**9.5 COMMITTEE PERFORMANCE AND REPORTING**

Nil

**10 OTHER BUSINESS**

**11 CONFIDENTIAL**

Nil

**12 NEXT MEETING**

14 August 2018, 6.00pm in the Mayor's Reception Room.

**13 MEETING CLOSE**