

## **SHIRE OF YORK**



Audit Completion Report to the  
Audit Committee  
For the Year Ended 30 June 2014

DECEMBER 2014

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# 1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: “*Communication with Those Charged with Governance*”, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan reported to the Audit Committee.

This report has been prepared for the Audit Committee to summarise the significant matters that have arisen from our year-end audit of the Shire of York for the year ended 30 June 2014.

## 1.1 Status of Audit

Our audit field work at the Shire of York for the financial year ended 30 June 2014 has been completed.

Before our Independent Auditor's Report is signed off and issued to the Council, the following outstanding matter is required to be attended to:

- Completion of audit procedures relating to Auditing Standard ASA 560 *Subsequent Events* to be performed up to the date of signing the Independent Auditor's Report.

## 1.2 Deliverables

Output	Timing
External Audit Plan	March 2014
Interim Audit Management Letter	13 August 2014
Present the Audit Completion Report to the Audit Committee	December 2014
Provide Independent Auditor's Report on the Financial Report	December 2014

## 2. Financial Statements and Audit Opinion

### Audit Opinion

We have completed the audit of the Shire of York's accounts in line with current Australian Auditing Standards and will give an **Unqualified Opinion**.

- (a) gives a true and fair view of the financial position of the Shire of York as at 30 June 2014 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

Refer to **Appendix 1** for our Proposed Draft Independent Auditor's Report

## 3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of Shire of York's activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	Land & Buildings and Infrastructure Assets	<p>Shire of York's Infrastructure Assets were valued at fair value from the historical cost and management valuation basis during the year ended 30 June 2014 and verified and test checked by Independent valuer, Tailis Asset Management.</p> <p>Audit procedures tested on a sample basis:</p> <ul style="list-style-type: none"><li>• Capital asset additions on a sample basis for accuracy to supporting documentation.</li><li>• Valuation to fair value from cost on the Shire of York's Property, Plant and Equipment and Infrastructure assets.</li></ul> <p>We have relied upon the values adopted by management / independent valuer and other external sources where appropriate.</p> <p>Asset reconciliation schedules were verified against trial balance reported amounts.</p> <p>Audit evaluated the professional competence and objectivity of the expert and the adequacy of the scope of the expert's work.</p>

		<p>Audit also obtained a signed "Management Evaluation" letter which was critical in providing with the necessary understanding of how management has approached with the fair valuation exercise and the evaluation of the valuation results.</p> <p>Results of the audit procedures conducted did not note any material misstatement of the asset classes.</p>
2	Revenue (Fees and Charges and Grant Revenue)	<p>Audit procedures were tailored to ascertain the completeness and accuracy of revenue:</p> <ul style="list-style-type: none"> <li>➤ Control testing on fees and charges</li> <li>➤ Test a sample of revenue transactions to supporting documentation</li> <li>➤ Substantive analytical procedures</li> </ul> <p>For the year ended 30 June 2014, these amounts appear to be reasonably accounted for and recognised appropriately.</p>
3	Purchasing and Payments	<p>Audit procedures were performed to review and assess the processes and policies in the purchasing and payments area. Discussions were held with the relevant personnel involved in this area to gain an understanding of the processes and procedures, followed by an assessment of the overall controls in place. Testing was performed during our interim audit on this key operating cycle.</p> <p>Additionally, analytical procedures were performed on expenditure items to assess items for reasonableness and to ensure that fluctuations from prior year balances were consistent with our expectations.</p>
4	Payroll Expenditure	<p>Discussions were held with the relevant payroll staff. This procedure undertaken facilitated the understanding of the processes and policies in place for payroll.</p> <p>Substantive audit procedures were also performed to verify completeness and accuracy of payroll for the year ended 30 June 2014. Analytical procedures tested payroll and statutory superannuation balances, comparing budgeted results to actual results and highlighting fluctuations in fortnightly payments which were then subject to further examination.</p>

5	Provisions for Annual and Long Service Leave	<p>We examined the annual and long service leave provisions and tested a few employees on a sample basis.</p> <p>The assumptions used by Shire of York for the provisions with respect to discount and bond rates were compared to the equivalent assumptions provided by Macri Partners. All assumptions were within the acceptable ranges.</p> <p>Our sample testing of annual leave and long service leave balances noted no variances.</p>
6	Contingent Liabilities	<p>Audit procedures included discussions with management and reviewing the solicitor's representation letter. We also are in the process of obtaining a management representation letter to confirm that there are no other contingent liabilities apart from the issue that has been disclosed in the accounts.</p>

We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the Shire of York's financial report.

## 4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for Shire of York's current business operations.

However, a separate Interim Audit Management Letter has been provided to management following our interim audit which provides details of the internal control and compliance matters raised.

We will be following up on the implementation of the management comments during our next interim audit visit. The result of our follow-up will be reported within our next Interim Audit Management Letter.

## 5. Key Findings During Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a number of key focus areas as outlined in Section 3 above. During the course of our year-end fieldwork, there were no accounting and audit issues noted.

## 6. Specific Required Communications

The Australian Auditing Standard ASA 260: “*Communication with Those Charged with Governance*” requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management’s financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	<ul style="list-style-type: none"> <li>➤ There were no changes to the audit approach outlined in the External Audit Plan.</li> </ul>
Significant accounting policies	<ul style="list-style-type: none"> <li>➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Shire of York including new pronouncements adopted during the year, are described in Note 1 to the financial statements.</li> <li>➤ There were no significant changes in the application of existing policies during the year ended 30 June 2014, other than the fair value measurement of the Council's assets and liabilities in accordance with AASB 13 <i>Fair Value Measurement</i>. The accounting policies adopted in the financial statements are appropriately disclosed.</li> </ul>
Sensitive Accounting Estimates and Disclosures	Refer to “Current Year of Audit Focus” section
Misstatements and significant audit adjustments	<ul style="list-style-type: none"> <li>➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. In the context of the Shire of York, we consider that amounts of a value less than \$8,750 should be considered trivial. This represents approximately 5% of materiality.</li> <li>➤ A number of disclosure adjustments to the financial statements have been discussed and amended during the course of our audit.</li> </ul>
Significant Weaknesses in Internal Controls	<ul style="list-style-type: none"> <li>➤ No significant weaknesses in internal control were identified.</li> </ul>
Disagreements with management	<ul style="list-style-type: none"> <li>➤ There have been no significant disagreements with management during the course of the audit.</li> </ul>

<p>Serious Difficulties Encountered in Dealing with Management when Performing the Audit such as:</p> <ul style="list-style-type: none"> <li>• Significant delays in management providing required information</li> <li>• An unnecessarily brief time within which to complete the audit</li> <li>• Extensive unexpected effort required to obtain sufficient appropriate audit evidence</li> <li>• The unavailability of expected information</li> <li>• Restrictions imposed on the auditor by management</li> </ul>	<ul style="list-style-type: none"> <li>➤ There were no serious difficulties encountered in dealing with management when performing the audit.</li> </ul>
Fraud and Illegal Acts	<ul style="list-style-type: none"> <li>➤ We are not aware of any matters that require communication.</li> <li>➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.</li> </ul>
Compliance with laws and regulations	<ul style="list-style-type: none"> <li>➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations that would have an impact on the determination of material amounts and disclosures in the financial report.</li> <li>➤ We have also received representations from management confirming that the Council is in compliance with all laws and regulations that impact the Council.</li> </ul>
Books and records and conduct of the audit	<ul style="list-style-type: none"> <li>➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.</li> <li>➤ We take this opportunity to thank Ms. Tyhscha Cochrane, Ms. Tabitha Bateman and their staff for the assistance and courtesy during our audit.</li> </ul>
Other Information in Documents Containing Audited Financial Statements	<ul style="list-style-type: none"> <li>➤ Our financial statement audit opinion relates only to the financial statements and accompanying notes. However, we will also review other information in the Annual Report, such as Management's Discussion and Analysis, for consistency with the audited financial statements.</li> </ul>
Related Party Transactions	<ul style="list-style-type: none"> <li>➤ None of which we are aware.</li> </ul>



Major Issues Discussed with Management in Connection with Initial or Recurring Retention	<ul style="list-style-type: none"> <li>➤ None.</li> </ul>
Going concern	<ul style="list-style-type: none"> <li>➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.</li> </ul>
Independence	<ul style="list-style-type: none"> <li>➤ We confirm that, as the date of this report, we are independent having regard to Macri Partners' policies, professional rules and relevant statutory requirements regarding auditor independence.</li> <li>➤ During the year ended 30 June 2014, Macri Partners has not provided any non-audit services to the Shire of York.</li> </ul>

## 7. Disclaimer

This report has been prepared for the Audit Committee and management of Shire of York Council only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the Shire of York.

## 8. Appendix 1 - Proposed Audit Opinion

### **INDEPENDENT AUDITOR'S REPORT**

#### **TO: RATEPAYERS OF SHIRE OF YORK**

We have audited the financial report of the Shire of York, which comprises the Statement of Financial Position as at 30 June 2014 and the Statement of Comprehensive Income by Nature or Type, Statement of Comprehensive Income by Program, Statement of Changes in Equity and Statement of Cash Flows and Rate Setting Statement for the year ended on that date and a summary of significant accounting policies and other explanatory information and the Statement by Chief Executive Officer.

#### **Management's Responsibility for the Financial Report**

Management is responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the Local Government Act 1995 (as amended) and the Local Government (Financial Management) Regulations 1996 (as amended) and for such internal controls as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. Our audit has been conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

#### **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional accounting bodies.

## **INDEPENDENT AUDITOR'S REPORT (Cont'd)**

### **Auditor's Opinion**

In our opinion, the financial report of the Shire of York:

- (a) gives a true and fair view of the financial position of the Shire of York as at 30 June 2014 and of its financial performance for the year ended on that date; and
- (b) complies with the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) and the Australian Accounting Standards.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the Local Government (Audit) Regulations 1996, we also report that:

- (a) There are no matters that in our opinion indicate significant adverse trends in the financial position or financial management practices of the Council.
- (b) There are no matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written law were noted during the course of our audit.
- (c) The asset consumption ratio and the asset renewal funding ratio included in the annual financial report (Note 26 of the annual financial report) are supported by verifiable information and reasonable assumptions.
- (d) All necessary information and explanations were obtained by us.
- (e) All audit procedures were satisfactorily completed in conducting our audit.

### **Matters Relating to the Electronic Publication of the Audited Financial Report**

This auditor's report relates to the financial report of Shire of York for the year ended 30 June 2014 included on the Shire of York's website. Management is responsible for the integrity of the Shire of York's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

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**MACRI PARTNERS  
CERTIFIED PRACTISING ACCOUNTANTS  
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BURSWOOD WA 6100**

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**A MACRI  
PARTNER**

**PERTH  
DATED THIS      DAY OF DECEMBER 2014.**