

UNCONFIRMED



# SHIRE OF YORK

**MINUTES OF THE  
AUDIT COMMITTEE MEETING  
HELD ON 17 OCTOBER, 2016  
COMMENCING AT 4:10PM,  
IN THE COUNCIL CHAMBERS,  
YORK TOWN HALL, YORK**



**SHIRE OF YORK**  
**TABLE OF CONTENTS**

1. OPENING
2. ANNOUNCEMENT OF ANY DECLARED FINANCIAL INTERESTS
3. ATTENDANCE
  - *Members*
  - *Staff*
  - *Visitors*
  - *Apologies*
4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING
  - *Audit Committee Meeting held 21 March 2016*
5. OFFICER REPORT
6. DISCUSSIONS ALLOWED BY PERMISSION OF PRESIDING MEMBER
7. NEXT MEETING
8. CLOSURE





SHIRE OF YORK

MINUTES OF THE AUDIT COMMITTEE  
HELD ON 17 OCTOBER 2016,  
COMMENCING AT 4:10pm  
IN COUNCIL CHAMBERS, YORK TOWN HALL, YORK

**1. OPENING**

*The Presiding Member, Cr Wallace, opened the meeting at 4.10pm*

**2. ANNOUNCEMENT OF ANY DECLARED FINANCIAL INTERESTS**

*Nil*

**3. ATTENDANCE**

• MEMBERS

*Cr Wallace, Presiding Member; Cr Saint, Deputy Presiding Member;  
Cr Heaton, Cr Ferro, Cr Walters*

• STAFF

*P Martin, Chief Executive Officer; M Dacombe, A/Executive Manager Corporate &  
Community Services; T Bateman, Financial Controller*

• VISITORS

*Nil*

• APOLOGIES

*Cr Smythe; Cr Randell*

**4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

- MINUTES OF AUDIT COMMITTEE MEETING HELD 21 MARCH 2016

**Recommendation**

**Moved: Cr Walters**

**Seconded: Cr Ferro**

***That the Minutes of the Audit Committee meeting held on 21 March 2016 be  
accepted as a true and correct record.***

**CARRIED: 5/0**

**5. OFFICER REPORT**

- Review of Financial Management, Risk Management, Internal Control and Legislative Compliance; and Appointment of Auditors for the 2016/17 Financial Year

**6. DISCUSSION ALLOWED BY PERMISSION OF PRESIDING MEMBER**

*Nil*

**7. NEXT MEETING**

*To Be Advised*

**8. CLOSURE**

*The meeting was declared closed by the Presiding Member at 4.30pm.*

## ***SY001-10/16 (Audit) – Review of Financial Management, Risk Management, Internal Control and Legislative Compliance; and Appointment of Auditors for the 2016/17 Financial Year***

<b>FILE REFERENCE:</b>	FI.FRP.6
<b>APPLICANT OR PROPONENT(S):</b>	Shire of York
<b>AUTHORS NAME &amp; POSITION:</b>	Mark Dacombe, Acting Executive Manager Corporate and Community Services
<b>PREVIOUSLY BEFORE COUNCIL:</b>	Previous Financial Management Review reported to the Audit Committee on 24 February 2014. Previous Risk Management, Internal Control and Legislative Compliance Review to the Audit Committee on 18 March 2015 Report SY093-08/16 to Ordinary Council Meeting 22 August 2016
<b>DISCLOSURE OF INTEREST:</b>	Nil
<b>APPENDICES:</b>	<ol style="list-style-type: none"><li>1. Consultant Brief to Conduct the Review</li><li>2. Addendum to Brief to include 2016/17 Financial Audit</li><li>3. Letter from the Department of Local Government and Communities re 2016/17 Audit</li><li>4. <u>Confidential to the Council</u> two proposals In response to the RFQ.</li></ol>

### **Nature of Council's Role in the Matter:**

Executive  
Review

### **Purpose of the Report:**

To report on the results of the Request for Quotation (RfQ) from consultants to undertake the review of the Shire Financial Management, Risk Management, Internal Control and Legislative Compliance; and to Appoint an Auditor to undertake the 2016/17 Financial Audit.

### **Background:**

#### Review of Financial Management, Risk Management, Internal Control and Legislative Compliance

At the August Ordinary Meeting of the Council the CEO reported his intention to conduct a review of the Shire's financial management, risk management, internal controls and legislative compliance regimes. The CEO proposed conducting the reviews at this time so that he, in his newly appointed role, and the Council have the necessary assurance as to the appropriateness and effectiveness of the Shire's systems and procedures. The review will also establish a baseline and prioritised improvement plan to set a best practice benchmark for the future. A copy of the draft RFQ was attached to the report to the August Council meeting and is attached again for information.

#### Appointment of Auditors for the 2016/17 Financial Year

Subsequent to the matter being considered by the Council advice was received from the Department of Local Government and Communities (DLGC) that it is intended that the Auditor General and the Office of the Auditor General (OAG) will take responsibility for financial audits from 1 July 2017. Accordingly, the earliest audit they will undertake will be for the 2017/18 financial year.

In anticipation of the change in audit responsibility the Council previously extended its existing audit contract with Macri and Partners by one year to include the financial audit for the 2015/16 financial year. The recent advice from the DLGC requires the Council to arrange audit services for the year ending 30 June 2017.

Oral advice was sought from the DLGC as to whether there was any potential conflict between the role of consultants undertaking the Regulation 5 and 17 reviews and the role of financial auditor. The DLGC's view was that the roles are in fact complementary as the statutory reviews will provide very good insights that will assist the financial audits.

The CEO considered that the appropriate action was to extend the RFQ to include the financial audit for 2017/18.

The RFQ invited proposals on the basis that the various components of the work could be let separately or as a total package.

### **Comments and details:**

#### Legal Environment

The Local Government (Financial Management) Regulations 1996 under Regulation 5 requires the CEO to ensure efficient systems and procedures are established for the local authority. The Local Government Act and the Regulations place a significant responsibility on the CEO to ensure that financial matters are handled effectively and efficiently. Regulation 5(2)(c) requires the CEO to "undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (not less than every 4 years) and to *report to the Council the results of those reviews*."

The last review was carried out in December 2013 and was reported to the Audit Committee in February 2014. Although only two and a half years ago they cover a period of significant staff and Councillor turnover. To establish a clear understanding shared by current Councillors and current and incoming staff it is considered that a comprehensive review under Regulation 5 of the Local Government (Financial Management) Regulations 1996 is the appropriate mechanism.

In addition, the Local Government (Audit) Regulations 1996 under Regulation 17 requires the CEO to review the appropriateness and effectiveness of the local government's systems in relation to risk management, internal control and legislative compliance. Each of these areas is to be the subject of a review every 2 calendar years.

The last review under Regulation 17 was conducted in-house and reported to the Audit Committee was reported to the Audit Committee (the Commissioner) on 18 March 2015. It is proposed to incorporate into the Financial Management Review a review of internal controls that will meet the minimum standards required for such a review.

The matters of risk management and legislative compliance will be addressed as part of the work program for the new management team.

#### Statutory Provisions

Regulation 5 of the Local Government (Financial Management) Regulations 1996 states with respect to the CEO's duties as to financial management:

- (1) *Efficient systems and procedures are to be established by the CEO of a local government —*
- (a) *for the proper collection of all money owing to the local government; and*
  - (b) *for the safe custody and security of all money collected or held by the local government; and*



(c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and

(d) to ensure proper accounting for municipal or trust —

(i) revenue received or receivable; and

(ii) expenses paid or payable; and

(iii) assets and liabilities;

and

(e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and

(f) for the maintenance of payroll, stock control and costing records; and

(g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.

(2) The CEO is to —

(a) ensure that the resources of the local government are effectively and efficiently managed; and

(b) assist the council to undertake reviews of fees and charges regularly (and not less than once in every financial year); and

(c) undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews.

Regulation 17 of the Local Government (Audit) Regulations 1996 states:

(1) The CEO is to review the appropriateness and effectiveness of a local government's systems and procedures in relation to —

(a) risk management; and

(b) internal control; and

(c) legislative compliance.

(2) The review may relate to any or all of the matters referred to in subregulation (1)(a), (b) and (c), but each of those matters is to be the subject of a review at least once every 2 calendar years.

(3) The CEO is to report to the audit committee the results of that review.

Section 7.3 of the Local Government Act 1995 provides:

(1) A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint\* a person, on the recommendation of the audit committee, to be its auditor.

(2) The local government may appoint one or more persons as its auditor.

(3) The local government's auditor is to be a person who is —

(a) a registered company auditor; or

(b) an approved auditor.

### The Proposals

Two proposals were received in response to the RFQ. Both proposals were from reputable accounting firms.

The proposals for the reviews under Regulations 5 and 17 were assessed against five weighted criteria:

- a) Audit Plan (20%)
- b) Experience in undertaking similar reviews (20%)
- c) Skills and capacity to deliver within nominated time frames (20%)
- d) Price, and (30%)
- e) References (10%)

The proposals to provide the Statutory Audit Services for the 2016/17 financial year were assessed against similar criteria, being:

- a) Methodology (20%)
- b) Experience in undertaking statutory audits for local Government (20%)
- c) Skills and capacity to deliver within nominated timeframes (20%)
- d) Price (30%)
- e) References (10%)

The proposals were assessed by the CEO, Acting Executive Manager Corporate and Community Services and the Financial Controller. The Executive Manager Corporate and Community Services (designate) was consulted by the CEO.

Both companies are on the WALGA preferred supplier panel.

Both proposers presented sound methodology together with the skills and capacity to deliver a satisfactory result. Moore Stephens demonstrated substantially more experience than Company B across a range of professional accounting, audit and risk services for local government.

The companies were asked to quote on the components of the brief separately and also as a package identifying any synergies that could be obtained through undertaking the work as a package.

The following table shows the price comparison:

<b>Assignment</b>	<b>Moore Stephens Option 1 (separate components)</b>	<b>Moore Stephens Option 1A</b>	<b>Moore Stephens Option 2</b>	<b>Company B (not recommended)</b>	<b>Budget</b>
Statutory Audit Services 16/17	\$20,000	\$20,000	\$20,000	\$17,500	\$25,000
Financial Management Review (Reg 5)	\$15,000	\$15,000	\$ 7,000	\$ 7,500	\$10,000
Risk Management Review (Reg 17)	\$12,500	\$10,000	\$10,000	\$9,000	\$10,000
<b>Total (Ex GST)</b>	<b>\$47,500</b>	<b>\$45,000</b>	<b>\$37,000</b>	<b>\$34,000</b>	<b>\$45,000</b>

The RFQ requires the report on the Financial Management, Risk Management, Internal Control and Legislative Compliance Review to be submitted by the 31 December 2016.

Moore Stephens Option 1 presents the components priced and undertaken as separate units. The timing of the statutory audit is dictated by a technical schedule that requires an interim audit to be carried out generally towards the final quarter of the financial year (March/April). The final audit takes place generally in the October following the end of the subject financial year.

Moore Stephens Option 1A is the price offered if the field work for the Regulation 5 and Regulation 17 reviews is done at the same time with the reporting date being as per the RFQ. The reporting date of 31 December was nominated so that the new management team would have an independent view of the risk and control environment of the organisation at an early date following their commencement. Option 1A saves \$2,500

Moore Stephens Option 2 would save \$10,500 if the reporting date was adjusted so that the field work for all three components could be undertaken together in March/April.

This timing would mean that the target date (CEO's KPI) of February 2017 for the Regulation 5 review of financial systems to be reported to the Council could not be met.

### Consultation

The CEO, Financial Controller and the Acting Executive Manager Corporate and Community Services participated in the assessment process. The Executive Manager Corporate and Community Services (Designate) was consulted by the CEO.

### Financial Implications

All proposals with the exception of the separately priced Option One of Moore Stephens fall within the total budget provision of \$45,000. By making an adjustment to the deadline for reporting by about 5 months a saving of \$10,500 can be achieved.

### Options

The proposal submitted by Company B is a credible submission by a competent company. The price submitted is the lowest received.

Moore Stephens has also presented a credible submission. Based on the information provided in the proposals this company has significantly more experience across the range of financial and risk management services to local government. Moore Stephens has also addressed the synergies and cost reductions that can be achieved through integrating the fieldwork for the three components.

The Council should therefore consider accepting the most financially beneficial proposal from Moore Stephens being Option 2 below:

Option 1: Undertaken as separate components this is the most expensive option and is not recommended.

Option 1A:

- a) Accept the proposal for the 2016/17 statutory audit - \$20,000
- b) Keep the reporting date for the Reg 5 and 17 reviews at 31 December 2016 and commission the field work for the reviews to take place at the same time (November) at a total price of \$25,000
- c) Accept this package at a total cost of \$45,000 exclusive of GST (Budget provision \$45,000); OR

Option 2:

- a) Adjust the reporting date to 31 May 2016
- b) Accept the package on the basis that the field work for all three assignments will take place at the same time in March/April 2017 with an attendant saving of \$10,500 (Total cost \$37,000 exclusive of GST)
- c) Formally amend the CEO's KPI's so that the target date for reporting on the review of financial management systems becomes June 2017

**Voting Requirements:**

**Absolute Majority Required: Yes, for the appointment of the auditor.**

**OFFICER RECOMMENDATION**

**Moved: Cr Saint**

**Seconded: Cr Walters**

***"That the Audit Committee recommends that the Council:***

1. ***ACCEPTS the proposal from Moore Stephens to undertake the package of work as follows:***
  - Review of Financial Management systems and procedures pursuant to Regulation 5 of the Local Government (Financial Management) Regulations 1996 for the sum of \$7,000***
  - Review of Risk Management, Internal Control and Legislative Compliance***
  - Pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996 for the sum of \$10,000***
  - Undertake the 2016/17 statutory financial audit for the sum of \$20,000***
2. ***APPOINTS Moore Stephens as the Shire auditor to undertake the 2016/17 Financial Audit pursuant to Section 7.3 of the Local Government Act 1995***
3. ***AMENDS the CEO's KPI related to the submission of the report on Financial Management Systems to 30 June 2016."***

**CARRIED: 5/0**



## Shire of York Request for Quotation – Financial Management, Risk Management, Internal Control and Legislative Compliance Review

The Shire of York is located in the Wheatbelt region of Western Australia, approximately 95km east of Perth. The Shire has an operating Budget of approximately \$10 million, with over \$5 million generated from Rates. The Shire recently appointed Mr Paul Martin to the role of Chief Executive Officer (CEO). Mr Martin is seeking assurance as to the appropriateness and effectiveness of the Shire's systems and procedures and to set a best practice benchmark for the future. As a result, the Shire is looking to appoint a suitably qualified consultant to undertake a comprehensive review of the Shire's:

- Financial Management
- Risk Management
- Internal Controls
- Legislative Compliance

The CEO has chosen for the review to be undertaken by an external party in order to engage a higher level of expertise in the relevant areas and ensure independence.

### Financial Management

The Local Government (Financial Management) Regulations 1996 under Regulation 5 requires the Chief Executive Officer (CEO) to ensure efficient systems and procedures are established for the local authority. The CEO has substantial operational responsibility to ensure financial matters are handled effectively and efficiently. Regulation 5(2)(c) states the CEO is to "undertake reviews of the appropriateness and effectiveness of the financial management systems and procedures of the local government regularly (and not less than once in every 4 financial years) and report to the local government the results of those reviews".

The last review under Regulation 5 was reported on in December 2013 (Audit Committee February 2014).

Regulation 5(1) of the Local Government (Financial Management) Regulations 1996 outlines the CEO's duties as to financial management. The table below details these duties and a list of the key areas the Shire would like reviewed (but not limited to):

Regulation 5 - effective systems/procedures	Shire of York's Financial System/Procedure	
(a) for the proper collection of all money owing to the local government; and	<b>General</b>	<b>Assets</b>
(b) for the safe custody and security of all money collected or held by the local government; and	General Journals	Register
(c) for the proper maintenance and security of the financial records of the local government (whether maintained in written form or by electronic or other means or process); and	Bank Reconciliations	Acquisitions and Disposals
(d) to ensure proper accounting for municipal or trust —	Petty Cash Management	Depreciation
(i) revenue received or receivable; and	Wages and salaries	
(ii) expenses paid or payable; and	Trust Funds	
(iii) assets and liabilities; and	Record Keeping	<b>Documents</b>
	General practices	Annual Budget
	Authorisations	Long Term Financial Plan
	<b>Revenue</b>	Financial Reports
	Rates	
	Receivables	<b>Compliance</b>

(e) to ensure proper authorisation for the incurring of liabilities and the making of payments; and	Fees and Charges	Insurance Goods & Services Tax
(f) for the maintenance of payroll, stock control and costing records; and	<b>Expenditure</b> Procurement	Fringe Benefit's Tax Minutes & meetings
(g) to assist in the preparation of budgets, budget reviews, accounts and reports required by the Act or these regulations.	Payments Credit card procedures Cost management and control Overhead allocations	Registers Delegations Audit Committee Information storage

### Risk Management, Internal Control and Legislative Compliance

The Local Government (Audit) Regulations 1996 under Regulation 17 requires the CEO to review the appropriateness and effectiveness of a local government's systems in relation to risk management, internal control and legislative compliance. Each of these areas is to be the subject of a review at least once every 2 calendar years.

The last review under Regulation 17 was conducted in house and reported to the Audit Committee on 18 March 2015.

The CEO has decided to conduct the Regulation 17 review alongside the Financial Management Review. It is noted the Department of Local Government and Communities issued Operational Guideline Number 9 with respect to Audit in Local Government. The Shire would expect that the scope of works cover the minimum of this Guideline. The tables below outline some (but not limited to) key areas the Shire would like reviewed (in addition to those reviewed as part of the Financial Management Review):

<b>Risk Management</b>
Existence and effectiveness of the risk management system
Currency and effectiveness of the Shire's Business Continuity Plan
Process for determining and managing material operating risk
Occurrence of regular risk reports
Adequacy of processes to manage insurable risk
Adequacy of insurance cover
Adequacy of controls in place to deal with unusual or risky transactions
The Shire's procurement framework with a focus on probity and transparency
Treatment plan for fraud and misconduct risks
Overall monitoring, reporting and communication surrounding risk management

<b>Internal Controls</b>
Delegation of authority (completeness and adherence)
Adequacy of segregation of duties
Adequacy of documented policies and procedures
Effectiveness of policy and process reviews
Adequacy of internal audits
Access to Information Technology and other relevant controls

<b>Legislative Compliance</b>
Current measures to monitor and capture legislative compliance
Ability of the Shire to stay informed regarding legislative changes
Management of information and data
Procedures for receiving, retaining and treating complaints

Note: The CEO will ensure relevant Shire staff are available during the review to assist with accessing systems, sourcing information and knowledge transfer. The CEO views these reviews as a valuable learning tool for the organisation to encourage and ensure ongoing best practice in the management of the Shire.

#### Deliverables

The intent of the report is to provide the CEO with a clear understanding as to the appropriateness and effectiveness of the Shire's current systems and processes and articulate any areas for improvement.

The Shire expects a comprehensive Audit Plan to form part of the response, including a full list of areas to be reviewed and a timetable.

At the completion of the review, a draft report is to be submitted to the CEO for review prior to the report being submitted to the Audit Committee and Council. The report should contain the full list of areas reviewed, details of testing, results, risk and recommendations for a prioritised improvement plan.

The report must be submitted to the Shire by 30 December 2016 within 5 weeks of commencing the review. The consultant/auditor may be required to attend the Audit Committee meeting to present the report and answers questions from Elected Members.

The quote must detail:

- The qualifications and experience of the staff that would be assigned to the review
- At least two recent references where a similar audit plan was undertaken
- Evidence of insurance currency

Pricing must be outlined as follows:

Staff Level	Number of Hours (Hrs)	Hourly Rate (\$)	Total Ex. GST (\$)	GST (\$)	Total Incl. GST (\$)
Partner					
Manager					
Senior					
Graduate					
Other					
				<b>GRAND TOTAL</b>	\$

#### Assessment

The Shire will assess all quotes based on the following criteria:

Audit Plan	20%
Experience in undertaking similar reviews	20%
Skills & Capacity to deliver within nominated timeframes	20%
Price	30%
References	10%

#### Questions

Should any respondent have any questions about the assignment these should be addressed to:

Mark Dacombe  
Acting Executive Manager Corporate and Community Services  
Shire of York  
Office: (08) 9641 2233  
Mobile: 0499 731 599 Email: [emccs@york.wa.gov.au](mailto:emccs@york.wa.gov.au)

**Submissions**

All quotes must be submitted by email to the address below by 4.00 pm on 6 September 2016. Late submissions will not be accepted.

[records@york.wa.gov.au](mailto:records@york.wa.gov.au)

Paul Martin  
Chief Executive Officer

24 August 2016





## Shire of York Request for Quotation – Financial Management, Risk Management, Internal Control and Legislative Compliance Review

### Amendment One: Statutory Audit Services 2016/17

The Council has been advised by the Department of Local Government and Communities (DLGC) that it is intended that the Auditor General and the Office of the Auditor General (OAG) will take responsibility for financial audits from 1 July 2017. Accordingly, the earliest audit they will undertake will be for the 2017/18 financial year.

In anticipation of the change in audit responsibility the Council previously extended its existing audit contract by one year to include the financial audit for the 2015/16 financial year. The latest information from the DLGC requires the Council to arrange audit services for the year ending 30 June 2017.

The Chief Executive Officer issued an RFQ for dated 24 August 2016 to undertake a review of “Financial Management” pursuant to Regulation 5 of the Local Government (Financial Management) Regulations and a review of “Risk Management, Internal Control and Legislative Compliance” pursuant to Regulation 17 of the Local Government (Audit) Regulations 1996. Given the above information he is now extending the RFQ to include an invitation to quote for the provision of statutory external audit services for the year ending 30 June 2017.

#### **Statutory External Audit Services**

Section 7.9 of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996 require an annual external audit to be undertaken.

The Chief Executive Officer invites proposals to undertake the external audit for the year ending 30 June 2017.

Submissions are to cover:

1. Audit methodology including:
  - Proposed scope of audit
  - Auditors' detailed methodology
  - Timeline
  - Reporting
2. Key Personnel – including relevant local government experience
3. Capacity to deliver within agreed timeframes
4. Three referees
5. Pricing of statutory audit services
6. Pricing should additional services be required by the Council

Submissions should also address possible synergies between the Reg 5 and 17 reviews and the statutory audit including detail of any cost advantages in a single provider being contracted for the whole package of work.

#### **Assessment**

The Shire will assess all submissions based on the following criteria:

Methodology	20%
Experience in undertaking statutory audits for local government	20%
Skills & Capacity to deliver within nominated timeframes	20%
Price	30%
References	10%

#### **Reservation**

The Shire considers there will be advantages in a single provider undertaking the Reg 5 and 17 reviews together with the statutory audit for 16/17 but reserves the right at its sole discretion to let the audit contract to a different provider.

#### **Questions**

Any questions about the RFQ should be addressed to:

Mark Dacombe  
Acting Executive Manager Corporate and Community Services  
Shire of York  
Office: (08) 9641 2233  
Mobile: 0499 731 599  
Email: [emccs@york.wa.gov.au](mailto:emccs@york.wa.gov.au)

#### **Submissions**

In the light of this extended brief the closing date for submissions will now be 4.00 pm on 12 September 2016. Late submissions will not be accepted.

Submissions must be submitted by email to the address below:

[records@york.wa.gov.au](mailto:records@york.wa.gov.au)

Paul Martin  
Chief Executive Officer

1 September 2016



Our Ref: 2689-15; E1630605

Mr Paul Martin  
Shire of York  
PO Box 22  
YORK WA 6302

Dear Mr Martin

### **Auditing of local governments by the Auditor General**

On 2 March 2016, Jennifer Mathews, Director General, wrote to you regarding the State Government's proposal for amendments to be made to the *Local Government Act 1995* which will provide for the Auditor General to undertake financial and performance audits of the local government sector.

As you would be aware, it is intended that the Auditor General and the Office of the Auditor General (OAG) take responsibility for local government financial audits from 1 July 2017 following passage of the Bill through Parliament. Under the proposed changes, the Auditor General may contract out some of the financial audits to private firms, but all financial audits will be done under the supervision of the Auditor General and the OAG.

I thank you for providing the Department with the date your current audit contract expires as requested in the previous letter. You indicated that it expires at the completion of the 2015/16 financial year and that you did not have an audit contract in place beyond then or you were considering a further extension of your contract. This information is assisting the OAG in understanding current arrangements to enable them to determine their resourcing requirements.

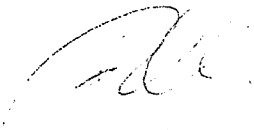
As it is proposed that the Auditor General takes responsibility of financial audits from 1 July 2017, the earliest audit they will undertake is for the 2017/18 financial year. If you have not already extended or renewed your audit contract, I encourage you to do so, up to but not past the 2016/17 audit. If, to secure an auditor, the audit contract has to be renewed beyond the 2016/17 audit, you should consider renewing it for no more than one extra year, with the option of annual extensions.

Gordon Stephenson House  
140 William Street Perth WA 6000  
GPO Box R1250 Perth WA 6844  
Tel: (08) 6551 8700 Fax: (08) 6552 1555 Freecall: 1800 620 511 (Country only)  
Email: [info@dlgc.wa.gov.au](mailto:info@dlgc.wa.gov.au) Website: [www.dlgc.wa.gov.au](http://www.dlgc.wa.gov.au)

I would appreciate further advice on the new expiry date of your audit contract or what your intentions are in this regard, so that the OAG can be informed of the current situation. Please provide this information (including the date the audit contract expires and the financial years included in the audit) to [legislation@dlgc.wa.gov.au](mailto:legislation@dlgc.wa.gov.au) as soon as possible, and in any event by 2 September 2016.

Please contact Ms Julie Knight in the Department's Legislation team on 65521595 if you require further information or wish to discuss the extension of your audit contract.

Yours sincerely



Brad Jolly  
**A/DIRECTOR GENERAL**  
**DEPARTMENT OF LOCAL GOVERNMENT AND COMMUNITIES**