



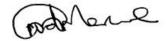


# Introduction

## From our Partner

The Shire of Dundas for the year ending 30 June 2020.

We would like to take this opportunity to thank the management team for their assistance during the audit process. If you have any queries on the report, please feel free to contact Robert Hall or myself.





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### **EXECUTIVE SUMMARY**

- ▶ Butler Settineri (Audit) Pty Ltd was appointed as the contract auditor by the Office of the Auditor General for the year ended 30 June 2020.
- Butler Settineri (Audit) Pty Ltd has completed the external statutory audit for the year ended 30 June 2020 as contract auditor on behalf of the Office of the Auditor General.
- One unresolved issue from the prior year relating to lack of supporting quotes for expenditure has been re-raised in the current year management letter.
- Our findings are included in this report.
- We intend to recommend to the Auditor General to issue an unqualified audit opinion in relation to the financial statements.
- There are no outstanding matters.



#### **INDEPENDENCE**

We are independent of the Shire in accordance with the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.

Threats to independence include the following:

- (i) SELF INTEREST THREATS
- SELF REVIEW THREATS
- (i) ADVOCACY THREATS
- **(i)** FAMILIARITY THREATS
- intimidation threats

What we do to remain independent:

- All team members sign an independence declaration at the commencement of the audit;
- We monitor our individual independence throughout the audit;
- All team members sign off an independence declaration at the completion of the audit.

# **COMPLIANCE** WITH LAWS & REGULATIONS & FRAUD

Laws and Regulations applicable to the Shire include the following:

- Local Government Act 1995;
- Local Government (Financial Management) Regulations 1996;
- Local Government (Audit) Regulations 1996;
- Australian Tax Office (GST / FBT / PAYG) Compliance;
- Compliance with conditions of program funding arrangements.

#### During the audit process there have been:

- No issues found in relation to the above Laws and Regulations.
- Non-compliance issues have been reported in the audit report where applicable and are detailed on page 11 of this document.
- No findings or indications of suspected fraud.

As far as the external audit relates to the matters noted above.

Key Audit
Matters and
Audit
Outcomes



During the planning phase of the audit, we identified the following issues and key areas of audit risk.

Details of Risk / Issue	Audit Approach			
Audit findings reported in the previous audit	We followed up on last year's audit issues during the audit. All except one issues were resolved.			
Changes to accounting standards:  AASB 15 Revenue from Contracts with Customers  AASB 16 Leases	We reviewed management's assessment of the impact of these accounting standards on the financial statements.			
AASB 1058 Income of Not-for Profit Entities	The Shire has correctly adopted the new accounting standards at the effective date 1 July 2019.			
	The modified retrospective approach has been correctly applied whereby comparative figures in the financial statements have not been restated.			
Changes to Local Government (Financial Management) Regulations that have been signalled by the Department of Local Government, Sport and Cultural Industries (DLGSCI):	We assessed management's implementation of the changes to regulations and the effect on the financial report.			
<ul> <li>Regulation 16 deleted</li> <li>Regulation 17A amended</li> </ul>	The Shire has correctly applied the change in regulations as a change in accounting policy at the effective date 1 July 2019.			
	The modified retrospective approach has been applied correctly whereby comparative figures in the financial statements have not been restated.			
We have identified the following areas that we consider require additional focus during our 2019-20 local government audits:	We reviewed the related audit evidence as part of our audit testing and confirmed that appropriate disclosures have been made in the financial statements.			
<ul><li>Related party disclosures</li><li>Revenue recognition</li></ul>				
Revaluation of Plant & Equipment				
<ul><li>Unauthorised expenditure</li><li>Unrecorded liabilities and expenses</li></ul>				
Fictitious employees				

Details of Risk / Issue	Audit Approach
The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:  • Provision for annual and long service leave • Impairment of assets	We reviewed the methodology and underlying data that management used when determining critical accounting estimates. We confirmed the reasonableness of the assumptions and corroborating representations.
Important changes in management or the control environment	The DCEO resigned in the first quarter of the 2019-20 FY and a Manager Finance & Administration was appointed. There were no further changes in management or the control environment during the year under review.

# **SIGNIFICANT** AUDIT FOCUS

New AASB 15 & 1058 Revenue from Contracts with Customers and Income for Not-For-Profit Entities

Policy updated and implemented

New AASB 16 Leases

Policy updated and implemented

Amended Local Government (Financial Management) Regulations 1996

Policies updated and implemented in the 2019-20 year to comply with:

- Regulation 17A plant & equipment measured under the cost model
- Regulation 16 deleted as covered by AASB 16 Leases

# **AUDIT** MISSTATEMENTS

There are no uncorrected misstatements.

# **AUDIT** FINDINGS

- Per the Interim Management Letter:
  - 1. No interim management letter issued

INDEX OF FINDINGS	RATING		
	Significant	Moderate	Minor
Journals not Independently Approved	✓		
2. Purchase Orders		✓	
Issues outstanding from prior year			
3. Lack of Supporting Quotes for Expenditure	✓		

Per the Final Management Letter:
No final management letter findings

# **REPORT** ON OTHER LEGAL AND REGULATORY REQUIREMENTS IN THE AUDITOR'S REPORT

The following material matters indicate significant adverse trends in the financial position of the Shire:

a) The Operating Surplus Ratio has been below the Department of Local Government, Sport and Cultural Industries' standard for the past three financial years.

The financial ratios are reported in Note 29 of the annual financial report

The following material matter indicating non-compliance with Part 6 of the *Local Government Act 1995*, the Local Government (Financial Management) Regulations 1996 or applicable financial controls of any other written law was identified during the course of our audit:

a) Accounting journal entries prepared by the manager of finance and administration were posted with no evidence of independent review and approval by another person. Accounting journals can represent significant adjustments to previously approved accounting transactions, and should therefore be independently reviewed and approved with evidence of this review being retained.

# Key Changes for next year

### Changes in regulations

None anticipated.

# Accounting Issues for 2021

AASB 1059 Minimal impact anticipated

# **THANK** YOU

We would like to take this opportunity to once again thank the management team for their assistance during the audit process, in particular we would like to thank Peter Fitchat and the finance team for their support.



