

AUDIT COMMITTEE

MANAGER FINANCIAL SERVICES

REPORT

5 NOVEMBER 2015

7.1 REPORTS – LATE DEBATE AGENDA

7.1.5

2015 AUDIT COMPLETION REPORT

INTRODUCTION

Officers have received the 2015 Audit Completion Report from the External Auditors, Refer *Attachment*. The report is to be read and considered in conjunction with agenda item 7.1.3.

RECOMMENDATION 1

That the Audit Committee receives Late Agenda Report 7.1.5 - 2015 Audit Completion Report.

and

RECOMMENDATION 2

That the Audit Committee note the 2015 Audit Completion Report.

COMMENT

Council's external Auditor, Dean Newbery & Partners have issued their 2015 Audit Completion report. It includes a summary of key matters on page 6 that will be included in the Auditors 2015 Balance Date Management Letter. Council staff will respond to the Auditors on future actions to be taken regarding these matters and this will be reported to the Audit Committee at the next meeting.

Attachments

Attachment - 2015 Audit Completion Report

LEGISLATION/POLICY/COUNCIL STRATEGIC PLAN

Legislation

Local Government Act – Section 126

Council Strategic Plan

4.1 Responsibility

FINANCIAL, RESOURCE AND RISK MANAGEMENT CONSIDERATIONS

Council's Audit Committee has a key role in its good governance framework. Good communication between the Committee and the Council will ensure that financial and risk management issues raised receive appropriate consideration and attention.

COMMUNITY CONSULTATION

No separate consultation is required under Council's Public Consultation Policy



THE BAROSSA COUNCIL

Audit Completion Report

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2015

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1. Introduction

This report has been prepared for the Council and its Administration to summarise the significant matters that have arisen from our Balance Date audit of the Council for the financial year ended 30 June 2015.

This report has been prepared to comply with Australian Auditing Standard (ASA) 260 *Communication with Those Charged with Governance* and ASA 265 *Communicating Deficiencies in Internal Controls to Those Charged with Governance and Management*.

2. Summary of Conduct of Audit

Please be advised that in accordance with the requirements under the *Local Government Act 1999* (the Act), we have now completed the statutory audit of the Council for the financial year ended 30 June 2015. Our Audit Report will be signed without reference to any qualification.

As required under Section 129 of the Act, we wish to advise of the following matters in conjunction with the work recently completed.

1. No report is required to the Minister

There is no matter arising from the audit of the Council for the year ended 30 June 2015 which we need to report to the Minister, as would otherwise be required under Section 129(6) of the Act.

2. Audit Correspondence issued during the 2014/15 Financial Year

Various audit matters have been formally communicated through our issued Management Letters. We are satisfied that action has, or is in the process of addressing all matters previously raised.

3. Scope of Audit

All audit procedures have been designed and carried out by our audit staff to provide us with reasonable assurance that the Council's financial report, as a whole, is free from material misstatement.

As outlined in the Audit Report to be provided to Council, the responsibility for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011* rests with Council's Chief Executive Officer. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our audit testing is not undertaken with the express purpose to disclose weaknesses in internal controls. Our testing of internal controls is undertaken to a sufficient level to enable us to rely on information obtained in the course of our audit relevant to the preparation of the financial report.

4. Remaining Outstanding Matters

Our audit field work for the financial year ended 30 June 2015 has been completed. Before our Audit Report is signed off and issued to the Council, the following outstanding matters are required to be attended to:

- Completion of audit procedures relating to ASA 560 *Subsequent Events* to be performed up to the date of signing the Audit Report.
- The receipt of a signed Management Representation Letter from the Council's Administration.
- Receipt of the Annual Financial Statements with all statements certified by Council's Mayor and Chief Executive Officer as required.
- Completion of all related acquittals to be prepared and issued as required.

5. Uncorrected Misstatements

There remain no misstatements that have not been adjusted by the Administration that have been identified during the course of our audit or that in our assessment, require to be reported to Council's Audit Committee or Elected Members.

Any misstatements, either individually or in aggregate, that are considered to be immaterial, have not been reported and regarded as being minor in the context of the financial report as a whole.

All requested audit adjustment have been processed and disclosures within the financial report appropriately modified based on audit testing completed.

6. Auditor Independence

In accordance with our professional ethical requirements, we confirm that, for the audit of the Council for the financial year ended 30 June 2015, all members of our audit team have maintained their independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

A statement has been provided to the Council in accordance with *Regulation 22 (5) Local Government (Financial Management) Regulations 2011* for inclusion in Council's Annual Financial Statements.

7. Balance Date Management Report

As a result of the audit work recently completed, a summary of the following audit matters will be included in our 2015 Balance Date Management Letter for your reference. The Balance Date Management Letter will be issued once the Audit Report has been signed and returned to the Council with the adopted Financial Statements.

A summary of the key matters that will be included are as follows;

1. We have received appropriate explanations for all material variations as between 2013/14 actual and 2014/15 actual (operating and capital).
2. We are confident that all audit matters raised in our Management Letters issued during the 2014/15 financial year audit have, or are in the process of being attended to by the Administration.
3. As from 1 July 2015, your Council will require an additional audit opinion to be provided on internal controls relating to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities as in accordance with Section 129 (1)(b) of the *Local Government Act 1999* for the 2015/16 financial year.

We are pleased to note that Council's Administration has been undertaking the testing of internal controls in preparation for the additional audit opinion against those included as 'core controls' in the *Better Practice Model* to identify and address any assessed weaknesses in the internal control environment.

4. In May 2015 the interpretation of Australian Accounting Standard 116 *Property Plant and Equipment* was reviewed by the Australian Accounting Standards Board (AASB) regarding the application of residual values for depreciation calculation purposes.

During the 2014/15 financial year audit, a review of the impact on this interpretation by the AASB on Council's asset depreciation calculation was undertaken and it was determined that the increase in depreciation, as a result of the new interpretation was not material given the existing assumptions and estimates applied in calculating asset depreciation expense.

We recommend that during the 2015/16 financial year a formal review and update to all assumptions and estimates relating to the application of asset residual values is undertaken by the Administration.

In particular, review over the assumptions relating to the recording of asset segments (e.g. how is a segment determined) and the components of assets recognised within a segment (e.g. road seal, road base, road sub-base, etc.) should be incorporated in the review to ensure assets recorded can easily capture the true nature and type of works being conducted by field staff and external contractors.

5. Council completed the external valuation of the following asset classes during the 2014/15 financial year:
 - Transport
 - Stormwater
 - Community Wastewater Management Systems (CWMS)
 - Recreation Assets

Condition data was collected and updated within the Council's Conquest asset database system for Footpath, Unsealed Roads, CWMS (sample of assets inspected), and Stormwater (sample of assets inspected) during the 2014/15 financial year.

As a result of the above work completed, we recommend that Council's Asset Management Plans be updated to reflect the most recent valuation and condition data to ensure future asset maintenance and replacement estimates are based on the most up-to-date available data.

6. During the 2015/16 financial year, we recommend that a complete stocktake of all plant and equipment assets is undertaken to ensure that Council's asset register accurately reflects the assets held by Council. A stocktake is an important exercise that confirms the existence of assets recorded as well test the asset for potential impairment. During the 2015/16 financial year, further audit testing will be undertaken in this area.