

APPENDIX 4

THE LOCAL GOVERNMENT *Auditing*

S Y S T E M

A Report of the
Local Government Financial Management Advisory Committee



CUSTOMER
FOCUS
WESTERN AUSTRALIA

ISBN: 0 7309 2038 0

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LIST OF RECOMMENDATIONS

Recommendation 1

Local Governments continue to appoint their Auditor provided recommendations 2-8 are adopted to strengthen the system.

Recommendation 2

Minimum specifications for a local government audit contract be included in the Local Government Audit Regulations (1996).

Recommendation 3

Councils be required to have Audit Committees. Specific issues associated with Audit Committees that are to be addressed are:

Membership

Audit Committees comprise only elected members and the CEO of the local government or his/her nominee. The elected members are to comprise a majority of the Committee.

Role and Responsibilities of the Audit Committee

- The process of selecting the Auditor;**
- Recommending to Council on the Auditor;**
- Managing the audit process;**
- Monitoring administration's actions on, and responses to, any significant matters raised by the Auditor;**
- Submitting an Annual Report on the audit function to the Council and the Department of Local Government; and**
- Consideration of the completed Statutory Compliance Return and monitoring administration's corrective action on matters of non-compliance.**

Recommendation 4

Local governments be encouraged to appoint Audit Committees as soon as possible on a voluntary basis.

Recommendation 5

A series of training workshops be conducted around the State with content designed to assist the Audit Committees to define their role and responsibilities. It may be necessary to run a further series immediately after promulgation of the amending legislation that sets mandatory Audit Committees.

Recommendation 6

In addition to the report on the accounts and the annual financial report required by section 7.9 of the *Local Government Act 1995*, the Auditors of each local government be required to submit a further report on any issues which have been identified in their processes as needing to be addressed. This second report, termed the "*Management Report*" is to be submitted to the CEO of the respective local government. The CEO must be obliged to advise the Audit Committee on the action he has taken with regard to the *Management Report*. The Audit Committee must advise the Council regarding its level of satisfaction with the CEO's response to the *Management Report*. The Council is to inform the public at the annual electors meeting of the content of the Management Report and Council's actions with regards to the issues raised.

Recommendation 7

The Department of Local Government makes resources available to the LGFMAC to allow the Committee to assess ways of introducing an internal audit capacity for all local governments. This should include:

- (a) establishing guidelines for Audit Committees on how and where to establish internal controls;
- (b) developing a model contract for internal auditing; and
- (c) examining models for delivering internal audit functions including internal auditing, contracting the Auditor General to provide internal audit advice to Councils and partnerships between small and larger local governments to ensure effective internal audit procedures.

Recommendation 8

An additional peer review process for Auditors operating in the local government sector should not be established.

Recommendation 9

The local government audit system be further examined in late 2002 to assess whether the improvements implemented as a result of this review have led to an effective audit process in which all relevant parties can have complete confidence.

1. BACKGROUND

Following the release of the *Report of the Royal Commission into the City of Wanneroo*, the Department of Local Government established a working party to consider possible policy and legislative responses to the Report and its recommendations. One of the issues raised by the Royal Commission related to the adequacy of the local government audit system. The working party responded to this issue by requesting that the Local Government Financial Management Advisory Committee (LGFMAC) assess the issue. Specifically, it requested that LGFMAC:

... be asked to assess the Wanneroo Report to determine whether the problems identified at Wanneroo require a review of the role of the auditor. The Committee will also be asked to review the scope of the audit process with a view to producing a model audit contract as a minimum standard that could be applied generally to local governments. Consideration should be given to include in such a model contract, a sample check on the council's statutory compliance return.

In February 1998, members of LGFMAC, under its role of monitoring the effectiveness of the local government auditing process, resolved to conduct a review of the system relating to the financial audit of local governments in Western Australia.

Membership of the LGFMAC comprises representatives from the Western Australian Municipal Association, the Institute of Municipal Management and the Department of Local Government. A representative from the professional accounting and auditing associations is pending following a resignation.

2. THE REVIEW

Financial management consultants, Grant Thornton, were commissioned by the LGFMAC to conduct a review of the local government auditing system under the following terms of reference.

1. *Determine the strengths and weaknesses of the current financial audit of local governments.*
2. *In conjunction with LGFMAC, recommend the processes to overcome the weaknesses and reinforce the strengths of the current financial audits of local government.*

The consultants reported in November 1998. The focus of their report was on the second term of reference. Specifically, they addressed issues including:

- A minimum standard contract for local government Auditors including such issues as:
 - how the minimum standard contract should be set;
 - the proposed contents of a standard contract; and
 - assessment of the possible effect of a minimum standard contract on audit fees in local government.
- Whether it should be mandatory for Auditors to monitor and report on the efficiency and effectiveness of local governments' financial operations.

- The appropriate levels of reporting required by Auditors that would be regarded as essential for proper disclosure and accountability.
- Whether Auditors for individual local governments should be appointed by an outside independent body.
- Consideration of any other aspects of local government auditing that would be appropriate.

2.1 *General Findings*

The Consultants made a number of general findings in relation to the Review. These were:

- 1 Local government in Western Australia is in a somewhat unique position where the external audit function is neither under the control of the Minister for Local Government nor the Office of the Auditor General. The Office of the Auditor General identified the issue of perceived public accountability where an Auditor is appointed by a local government and reports directly to that local government.
- 2 There is a need to establish a set of standards, reporting requirements and monitoring outcomes for audits across all local governments. This should include a standard audit contract and audit plan.
- 3 There needs to be a better understanding by both administration and elected members of the role and function of an external audit.
- 4 There needs to be a process developed that enables the Minister for Local Government to satisfy him or herself that local government audits are meeting prescribed professional standards.
- 5 Local governments need to develop effective internal audit functions that address issues relating to compliance with council policies and the *Local Government Act*, and matters relating to efficiency and accountability.
- 6 There is a role for Audit Committees in local government.
- 7 Local governments need to consider other matters relating to the efficiency and effectiveness of their organisation including the Statutory Compliance Returns (a check on compliance with the Act) and the development of performance indicators that measure the efficiency and effectiveness of their organisation.

2.2 *Specific Recommendations*

In addition to their general findings, the Consultants made a series of recommendations relating to aspects of the terms of reference. These are outlined below.

CONSULTANT RECOMMENDATIONS

1. Appointment of Auditors
It is proposed that the present system whereby local authorities appoint and fix the fee of the Auditor be retained.
2. Audit Performance
It is proposed that the members of local government, both elected members and executives, be made more aware of the objectives and statutory requirements of the external audit function through seminars and training sessions.
3. Scope of Statutory External Audit
It is important that procedures are instituted so the Department of Local Government is able to give assurance to the Minister that the audit function in local government is being conducted to prescribed professional standards.
4. Standard Audit Contract
It is proposed that the Department of Local Government prepares a standard audit contract for the provision of audit services and all local authorities be encouraged to use this standard contract. (A proforma contract is attached at Appendix 1).
5. Peer Review
It is proposed that the Department of Local Government arrange for a regular peer review by a specialist, appointed either by the joint accounting bodies or the Office of the Auditor General in Western Australia, of the audit work papers of Auditors of local authorities to obtain assurance that the audits are being done to prescribed professional standards.
6. Internal Audit
It is proposed that all Councils shall develop an effective internal audit function.

The Department of Local Government be given the authority to grant exemption for Councils in remote areas.
7. Audit Committees
It is proposed that all Councils form an Audit Committee with a majority of the members of the Committee being elected members of Council. The Department of Local Government be given the authority to grant exemption for Councils in remote areas.
8. Local Government Statutory Compliance Return
It is proposed that it be left to the discretion of each local authority whether they require their Local Government Statutory Compliance Return to be completed or verified by their Auditor.
9. Performance Indicators
It is proposed that in the pursuit of best practice within local government that local authorities be encouraged to develop relevant performance and management indicators.

3. OPTIONS FOR CHANGE TO THE CURRENT SYSTEM

The LGFMAC has considered the findings and recommendations of the Consultants Report and has considered options for the audit review. These relate to the key issues of:

1. Who should carry out the local government audit function?
2. Minimum standards for audit contracts.
3. Roles and responsibility for Councils and officers in the audit process.
4. Internal audit processes.

3.1 *Who should carry out the Local Government Audit Function?*

The Consultant recommended that the responsibility for appointing local government Auditors should remain with the local government. They found that:

...over 90% favoured local authorities retaining the current right to appoint and fix the fee of their Auditor.

This is **Option 1**. There are two other options that have been considered by LGFMAC. These are:

– **Option 2**

The Auditor General take responsibility for the audit function. This would mean that the Auditor General determines the scope of audits and appoints local government Auditors. These Auditors would report to the Auditor General who, in turn, would report to the Parliament. The Auditor General would charge Councils for audits.

– **Option 3**

The State Government becomes directly involved in the process of selecting Auditors for local government. This could be through:

- the establishment of a list of approved Auditors where a panel comprising of the Department of Local Government, the Western Australian Municipal Association, the Institute of Municipal Management and the Auditor General (or a peak audit body) call for expressions of interest and determine a list of appropriately qualified Auditors from which local governments would select their Auditor; or
- The Department of Local Government or the Auditor General become directly involved in the selection of Auditors for local governments by sitting on a panel with the local government to select the Auditor. Local governments would still engage the auditor; or
- The Department of Local Government or the Auditor General ratify local government's selected Auditor.

A comparison of these three options is outlined below in Table 1.

Comparison of the Options for Appointment of Auditors			
	Option 1 Local Government Retains Responsibility	Option 2 Auditor General Takes Responsibility	Option 3 State Government Becomes Involved in Selection Process
Reasons for:	<ul style="list-style-type: none"> • Companies appoint their own Auditor in private enterprise – as long as Auditors are members of professional associations and abide by standards there should be no concerns. • There is no evidence that this system has failed. • It recognises the autonomy and maturity of local governments. • Local governments can gear particular contracts to suit their own requirements in addition to the normal audit requirements. 	<ul style="list-style-type: none"> • The Auditor General knows what an Auditor should be doing in assessing local governments. • The Auditor General will be able to balance the workload between the various auditing firms. • The Auditor General can use an appropriate audit contract to determine the audit scope. • The Auditor General can ensure that the process of auditing local governments and monitoring the outcomes are standardised. • The Auditor General would ensure the independence of the audit process. • As the Auditor General receives all audit reports, they will be able to report on the overall financial position of local governments. 	<ul style="list-style-type: none"> • Provides assurance that the appointed Auditors have the capacity to undertake the audit. • Leaves the responsibility for appointment with the Council.

Comparison of the Options for Appointment of Auditors			
	Option 1 Local Government Retains Responsibility	Option 2 Auditor General Takes Responsibility	Option 3 State Government Becomes Involved in Selection Process
Reasons against:	<ul style="list-style-type: none"> • A local government's representatives, particularly staff can get too close to the Auditor who is then not inclined to criticise performance. • As the time for the audit contract renewal approaches the Auditor may be less inclined to criticise on the basis it will damage his/her chances for contract renewal. • Local governments are not sufficiently informed on what an Auditor should be providing. • Local governments are too inclined to look for the cheapest price rather than quality of service. 	<ul style="list-style-type: none"> • The Auditor General knows State Government systems – he does not know local government and there is no doubt that this sector is different. • Local governments may be less co-operative with these independently appointed Auditors. As a result there will be lost opportunities for auditors to assist local governments. • The Auditors appointed by the Auditor General may not be able to, or interested in, providing other services to the Council such as additional accounting and tax services. • Auditors would be reporting to the Auditor General, not to Council and this will not assist with improving the practices of Council. • The Auditor General reports to Parliament, further distancing the Minister from the audit process. 	<ul style="list-style-type: none"> • There is no indication that there is a problem with the capacity of the Auditors currently being used. • Difficulties with determining and maintaining a panel of approved auditors.

Much of the concern about the local government audit process appears to be associated with the scope of audits rather than the competency of Auditors who are currently carrying out the audit function. This problem may reflect the tendency of many local governments to focus on the cost of the audit rather than the scope.

On balance, the LGFMAC is of the unanimous view that the benefits in local governments appointing their own Auditors outweigh any perceived problems. Action can be taken to overcome those perceived problems by prescribing in regulation the specifications for an audit contract, the mandatory establishment of Council Audit Committees and tighter reporting requirements to the Department of Local Government. All of these requirements are outlined below.

Recommendation 1

Local governments continue to appoint their Auditor provided recommendations 2-8 are adopted to strengthen the system.

3.2 Minimum Standard Audits

The Consultants found that there was strong support for a standard audit contract. Local government Auditors, in particular, favoured a standard scope and terms of audit. Establishing a minimum standard contract and enshrining this in the Local Government (Audit) Regulations (1996) helps to overcome the concerns voiced by the Auditor General, the Minister and the Department of Local Government. These concerns relate to:

- the consistency in the process and reporting across local government; and
- the need to ensure the audit function is carried out in accordance with the Australian Auditing Standards and Auditing Guidance Statements.

There is room for discussion on what should be included in a standard contract. The Local Government (Audit) Regulations specify that:

An agreement between a local government and an Auditor is to include —

- (a) the objectives of the audit;*
- (b) the scope of the audit;*
- (c) a plan for the audit;*
- (d) details of the remuneration and expenses to be paid to the Auditor; and*
- (e) the method to be used by the local government to communicate with, and supply information to, the Auditor.*

The regulations also provide details on how the audit is to be performed and the reporting requirements for the Auditor. It is notable that these two aspects are not included in the agreement referred to above. Whilst it is acknowledged that an audit should be carried out in accordance with all of the requirements of the regulations, the fact that these areas do not appear as specific sections in the audit agreement may mean that they are overlooked.

The previous *Local Government Audit Directions (July 1992)* provide more detailed requirements for an audit and give guidance on the areas to be covered by the audit, action

following the completion of the audit, requirements for reporting and the exit interview. Many of the requirements of the Directions have been included in the Minimum Standard Audit.

Recommendation 2

Minimum specifications for a local government audit contract be included in the Local Government Audit Regulations (1996).

Appendix I provides a draft minimum standard audit. This is based on the current regulations, the proposed model from the consultants and the previous *Local Government Audit Directions*.

3.3 Roles and Responsibilities of Councillors and Officers

The Consultants indicated that the responses they received to the survey from CEOs and elected members “*perhaps indicates some lack of understanding of the actual role and function of the external audit function*”.

There is anecdotal evidence councillors sometimes take a passive role in the audit process and that the Chief Executive Officer effectively controls the tendering and selection process of the Auditor. It is essential that Council controls the audit process. This is the means by which the Council can be satisfied that:

- (a) *the accounts are properly kept; and*
- (b) *the annual financial report —*
 - (i) *is prepared in accordance with the financial records; and*
 - (ii) *represents fairly the results of the operations of the local government and the financial position of the local government at 30 June in accordance with the Australian Accounting Standards and the Act.*

This helps to ensure the Council fulfils its corporate governance role.

The Consultants note that all publicly listed companies are required to have Audit Committees to assist their Boards to fulfil their corporate governance responsibilities. This is now considered best practice and many unlisted public companies and non-corporate organisations have also adopted this approach.

The establishment of Audit Committees for local governments would assist the Council to fulfil its corporate governance and financial responsibilities. The Committee, amongst other things, should be responsible for recommending to Council on all aspects of the appointment process for the external Auditor. They would be required to communicate with the Auditor prior to the commencement of the audit to discuss the general audit plan. This could be via a meeting, through correspondence or using methods of electronic communication. They would also be responsible for the exit interview with the Auditor to discuss the outcomes of the audit. The Committee would also be responsible for monitoring administration’s actions on, and responses to, any matters raised by the Auditor.

Audit Committees should have at least three members, one of whom is the Shire President or Mayor. The CEO or his/her nominee may be appointed to the Committee. The LGFMAC gave consideration to the Audit Committees having representatives from the community as do some such Committees in the private sector. In the end it was resolved that as Councillors are community representatives and the audit is a local government issue that membership be restricted to elected members and the CEO.

The Act will have to be amended to provide for the establishment of Audit Committees on a mandatory basis. The regulations will also have to be amended to prescribe their responsibilities. Until this can be achieved local governments should be encouraged to establish voluntary Audit Committees. The experience gained with the policies and procedures of such Committees will be most valuable when the time comes to draft the regulations for the operation of such Committees.

Recommendation 3

Councils be required to have Audit Committees. Specific issues associated with Audit Committees that are to be addressed are:

Membership

Audit Committees comprise only elected members and the CEO of the local government or his/her nominee. The elected members are to comprise a majority of the Committee.

Role and Responsibilities of the Audit Committee

- **The process of selecting the Auditor;**
- **Recommending to Council on the Auditor;**
- **Managing the audit process;**
- **Monitoring administration's actions on, and responses to, any significant matters raised by the Auditor;**
- **Submitting an Annual Report on the audit function to the Council and the Department of Local Government; and**
- **Consideration of the completed Statutory Compliance Return and monitoring administration's corrective action on matters of non-compliance.**

Recommendation 4

Local governments be encouraged to appoint Audit Committees as soon as possible on a voluntary basis.

Committee members would be required to undertake training in the area of understanding the objectives of auditing.

Recommendation 5

A series of training workshops be conducted around the State with content designed to assist the Audit Committees to define their role and responsibilities. It may be necessary to run a further series immediately after promulgation of the amending legislation that sets mandatory Audit Committees.

3.4 *Audit Reports to Local Governments*

Currently auditors provide two reports to Council. The Audit Report covers the outcome of the audit. The Management Report focuses on problems relating to systems, processes and policies. In general, the Audit Report is tabled at the Electors Meeting whilst the Management Report is seen more as an internal document. There is a concern that the information contained in the Management Report may be of significant interest to electors and the practice of providing two reports gives Councils the opportunity to conceal where there have been major failures in internal systems.

Recommendation 6

In addition to the Report on the Accounts and the Annual Financial Report required by section 7.9 of the *Local Government Act 1995*, the Auditors of each local government be required to submit a further report on any issues which have been identified in their processes as needing to be addressed. This second report, termed the “*Management Report*” is to be submitted to the CEO of the respective local government. The CEO must be obliged to advise the Audit Committee on the action he has taken with regard to the *Management Report*. The Audit Committee must advise the Council regarding its level of satisfaction with the CEO’s response to the *Management Report*. The Council is to inform the public at the annual electors meeting of the content of the *Management Report* and Council’s actions with regards to the issues raised.

3.5 *Internal Audit Functions*

External audits consider outputs and outcomes whilst internal audits focus on inputs, policies and processes. In fact, the primary function of internal audit systems is to ensure that:

- financial and management information is reliable;
- the Council is complying with policies, procedures, laws and regulations;
- resources are being used effectively; and
- the objectives of Council are being achieved.

The Consultant recommended that all Councils develop an internal audit function and that the Department of Local Government be given the power to grant exemptions to remote local governments. They noted that with many State Government agencies, the internal audit function has been contracted out and suggested that this may be a more cost effective approach.

The following sections of the *Local Government (Financial Administration) Regulations (1996)* relate to the internal audit function.

Financial Management Duties of the CEO

5. (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;
 - (b) for the safe custody and security of all money collected or held by the local government;
 - (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);
 - (d) to ensure proper accounting for municipal or trust —
 - (i) income received or receivable;
 - (ii) expenses paid or payable; and
 - (iii) assets and liabilities;
 - (e) to ensure proper authorization for the incurring of liabilities and the making of payments;
 - (f) for the maintenance of payroll, stock control and costing records; and
 - (g) to assist in the preparation of budgets, 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;
 - (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.

Independent Performance Reviews

6. A local government is to ensure that an employee to whom is delegated responsibility for the day to day accounting or financial management operations of a local government is not also delegated the responsibility for —
- (a) conducting an internal audit; or
 - (b) reviewing the discharge of duties by that employee,
- or for managing, directing or supervising a person who carries out a function referred to in paragraph (a) or (b).

In an ideal situation, local governments, through their Audit Committees, would establish internal audit processes that ensure that financial and management information is reliable, that policies exist to safeguard the use of resources, and that Council is achieving its objectives. Council would employ an internal auditor or contract this function out and the internal Auditor/Contractor would report regularly to the Audit Committee on compliance with internal processes.

It is probable that many Councils would be unable to fund dedicated internal audit positions. However, it is not appropriate for the Department to grant exemptions for remote area or small local governments as a system of internal checks and balances should be a basic requirement for all local governments.

Recommendation 7

The Department of Local Government makes resources available to the LGFMAC to allow the Committee to assess ways of introducing an internal audit capacity for all local governments. This should include:

- (a) establishing guidelines for Audit Committees on how and where to establish internal controls;**
- (b) developing a model contract for internal auditing; and**
- (c) examining models for delivering internal audit functions including internal auditing, contracting the Auditor General to provide internal audit advice to Councils and partnerships between small and larger local governments to ensure effective internal audit procedures.**

It should be noted that the Statutory Compliance Return (which is now mandatory) forms part of an internal audit process. As such, the return should be presented to the Audit Committee for its consideration. The Audit Committee should also ensure that corrective action is taken on any matters or non-compliance.

3.6 *Performance and Management Indicators*

The establishment of performance indicators for local governments is currently subject to a study by the Department for Local Government. Issues relating to the auditing and reporting of performance indicators should be addressed through this process. When this study is completed, the LGFMAC will examine it to determine if there are any indicators, the reporting of which should be mandatory.

3.7 *Peer Review of Audits*

The Consultant recommended that the Department of Local Government arrange for a regular peer review to obtain assurance that the audits are being done to prescribed professional standards. They noted, however, that both Councillors and Officers were against a process of peer review of audits. The Department of Local Government would lack the expertise to carry out this function.

The current Local Government (Audit) Regulations (1996) provide direction to the Auditor on the scope of the audit. Regulating for a minimum standard audit will further ensure that the scope of the local government audit meets the requirements. In addition, the joint accounting bodies (the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants) require all of their members in practice to have a quality control system to ensure they are complying with the prescribed professional standards. They also ensure that peer reviews of practitioners are conducted. It is likely that these safeguards will ensure that standards are maintained.

The LGFMAC is of a view that it is not necessary to extend the peer review process conducted by the joint professional accounting bodies.

Recommendation 8

An additional peer review process for Auditors operating in the local government sector should not be established.

Local government and the audit firms need to know that the audit process in the sector is under scrutiny and there needs to be a further review in three years at which time the success of the additional requirements recommended here will be determined. Three years is suggested because it will allow time for the recommendations to be adopted such as Audit Committees and minimum standard contracts to be adopted and for their effectiveness to be measured.

Recommendation 9

The local government audit system be further examined in late 2002 to assess whether the improvements implemented as a result of this review have led to an effective audit process in which all relevant parties can have complete confidence.

APPENDIX 1

Queries/Comments

*Is the Council
appointing an audit
company or an
individual Auditor?*

Minimum Standard Audit

1. Parties to the Agreement

Local Government "Council"

1.1.1 Name of Auditor "Auditor"

2. Term of Audit Appointment

Financial year to June 30 (no more than 1 year but less than 5)

3. Scope

- (1) An Auditor is to carry out such work as is necessary to form an opinion as to whether:
- (a) the accounts are properly kept; and
 - (b) the annual financial report:
 - (i) is prepared in accordance with the financial records; and
 - (ii) represents fairly the results of the local government and the financial position of the local government at 30 June in accordance with the *Australian Accounting Standards* and the Act.

4. Audit Methodology and Approach

- (1) The Auditor is required to comply with the requirements of the *Local Government Act 1995* and the Local Government (Audit) Regulations 1996.
- (2) An audit is to be carried out in accordance with "Auditing Standards" and "Auditing Guidance Statements" adopted from time to time by the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia.
- (3) The auditor is to provide a general outline of his/her methodology.
- (4) The Auditor is to provide a proposed timetable for the audit including:
- timing of entrance interview;
 - timing of interim audit visits;
 - final audit visit (within 30 days of being advised that the audit statements are available for audit); and
 - timing of exit interview.

- (5) The Auditor would be required to produce an Audit Report that addresses all of the following areas.

Critical Audit Areas

- (5.1) Revenue
- Rates Revenue
 - Government Grants
 - User Pays Revenue
 - Other Income
- (5.2) Expenditure
- Salary and Wage Costs
 - Other Expenditure
- (5.3) Current Assets
- Bank and Short Term Investments
 - Receivables and Prepayments
 - Inventory
- (5.4) Non-Current Assets
- Property, Plant and Equipment and Depreciation
 - Infrastructure and Depreciation
 - Other Receivables
- (5.5) Liabilities
- Creditors and Accruals
 - Loans Borrowings including new loans raised
 - Provision for Annual and Long Service Leave Entitlements
- (5.6) Reserve Funds
- (5.7) Statutory
- Council Minutes
 - Tender Register
 - Annual Budget
- (5.8) Contingent Liabilities
- (5.9) Capital Commitments

5. Hours, Fees and Expenditure

The Auditor is to provide:

- Estimation on the time to be spent on the audit.
- Fees for completing the audit in accordance with this brief.
- Nominated Auditors and Registered Company Audit Number.

- Experience of the nominated Auditors in competing local government audits.

If the Auditor is requested by Council to perform any separate audits in addition to the audit function as defined in Clause 3, the fee for these assignments shall be on the basis of either a quoted fee or actual time incurred at the normal professional hourly rate for that level of work.

6. Terms

Audit Reports and Management Report

The Auditor shall forward to the Mayor/President and the Chief Executive Officer the Audit Report and Management Report within 14 days of the exit interview.

Termination of Appointment

The appointment as Auditor is terminated if:

- (a) the Auditor ceases to be a registered company Auditor;
- (b) the Auditor ceases to be an approved Auditor under Section 7.5 of the *Local Government Act 1995*;
- (c) the Auditor is a disqualified person under Section 7.4(2) of the *Local Government Act 1995*;
- (d) the Auditor resigns in notice in writing to Council;
- (e) Council serves notice in writing to the Auditor terminating the appointment.

General Conditions

The Auditor shall not sub contract to a third party.

The Auditor shall not, and has no right to, assign the audit contract to third parties.

The Auditor confirms that he has, and will maintain during the duration of the audit term, professional indemnity insurance covering the legal liability arising out of any neglect default error or omission by the Auditor for the amount required by the professional accounting bodies for the holding of a practicing certificate.

Notices or other communication between Council and the Auditor may be given by delivery, or sent prepaid post, to each of their respective postal addresses. Postal address may be altered by service of notice in accordance with this clause.

Notices or other communication sent by post shall, in the absence of proof to the contrary, be deemed to have been received by the addressee 96 hours after it was posted.