

**Audit Entrance Meeting**  
**Agenda – Shire of Koorda FY 2024**

**Meeting Date and time:** 15 May 2024 – 1pm  
**Meeting Location** Video Call

**Meeting Attendees:**

**Shire of Koorda**

Jannah Stratford – Shire President  
Nick Chandler - Councillor  
Gary Greaves - Councillor  
Zac Donovan – Chief Executive Officer  
Lana Foote – Deputy Chief Executive Officer

**OAG and Armada**

Stephanie Kaharudin – Assistant Director  
– Office of the Auditor General  
Marcia Johnson – Audit Director Armada  
Lorraine Dube – Supervisor - Armada

**AGENDA ITEMS**

1	Introduction
2	Audit Approach
3	Significant Risk & Audit Focus Areas
4	Financial Reporting
5	Environmental, Social and Governance
6	Audit Schedule

# Shire of Koorda Audit Planning Summary 30 June 2024



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# Introduction

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## **Office of the Auditor General (OAG) and Armada Audit and Assurance Pty Ltd (Armada)**

Following proclamation of the Local Government Amendment (Auditing) Act 2017, the Auditor General is responsible for the annual financial report audit of Western Australian Local Governments.

The Act allows the Auditor General to contract out financial audits and Armada Audit & Assurance Pty Ltd has been contracted by the Auditor General to perform the Shire of Koorda financial report audit on the Auditor General's behalf for the financial years 30 June 2024, 30 June 2025 and 30 June 2026.

Our audit procedures will be conducted under the direction of the Auditor General, who will retain responsibility for forming the audit opinion and issuing the audit report to the Shire of Koorda.

Armada is required to report any matter to the Auditor General which may affect the Auditor General's responsibilities under the Auditor General Act 2006.

## **Responsibility of the Council and the CEO**

It is important to note that:

1. Under the Local Government Act 1995 and associated regulations, the Council and the CEO are responsible for keeping proper accounts and records, maintaining effective internal controls, preparing the annual financial report in accordance with Australian Accounting Standards to the extent they are not consistent with the Local Government Act and Regulations, and complying with the Local Government Act and Regulations, and other legislative requirements.
2. Under the Local Government Act 1995 and associated regulations, the Council and the CEO have responsibility for maintaining internal controls that prevent or detect fraud or error and to ensure regulatory compliance. The Shire's Audit and Risk Committee and the Auditor General should be informed by management of any fraud or material errors. During the audit we will make inquiries with management about their process for identifying and responding to the risks of fraud, including management override. It should be noted that our audit is not designed to detect fraud, however should instances of fraud come to our attention, it will be reported to you.
3. The Council and CEO are responsible for ensuring the accuracy and fair presentation of all information in its annual report, and that it is consistent with the audited annual financial statements. We do not provide assurance over your annual report.

## Auditor's responsibility

Our audit is conducted in accordance with Australian Auditing Standards. Our aim is to provide reasonable assurance whether the annual financial report is free of material misstatement, whether due to fraud or error. We perform audit procedures to assess whether, in all material respects, the annual financial report is presented fairly in accordance with the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 and Australian Accounting Standards.

The nature of the audit is influenced by factors such as:

- + The use of professional judgement
- + Selective testing
- + The inherent limitations of internal controls
- + The availability of persuasive rather than conclusive evidence.

As a result, an audit cannot guarantee that all material misstatements will be detected. We examine, on a test basis, information to provide evidence supporting the amounts and disclosures in the annual financial report and assess the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by management.

An audit does not guarantee that every amount and disclosure in the annual financial report is error free. Also, an audit does not examine all evidence and every transaction. However, our audit procedures are designed to identify errors or omissions significant enough to adversely affect the decisions of users of the annual financial report.

## Conflicts of Interest

We confirm we have completed our independence evaluation and are satisfied we do not have any actual or perceived conflicts of interest in completing the annual audit of the Shire of Koorda on behalf of the Auditor General.

## Armada's approach is designed to:

- + Focus on key risks and financial areas; and
- + Add value to your business by providing constructive ideas for improving internal controls and on-going business systems

The partner-led assurance service team is committed to meeting specific business needs by:

- + Working closely with you to get to know the business whilst maintaining independence;
- + Using the latest computerised systems and audit techniques; and
- + Conducting an in-depth review of financial records to enable identification of key areas where additional support and attention will improve the business.

The audit will meet the statutory requirements under the Local Government Act 1995 and Regulations and will be carried out in accordance with the Australian Auditing Standards.

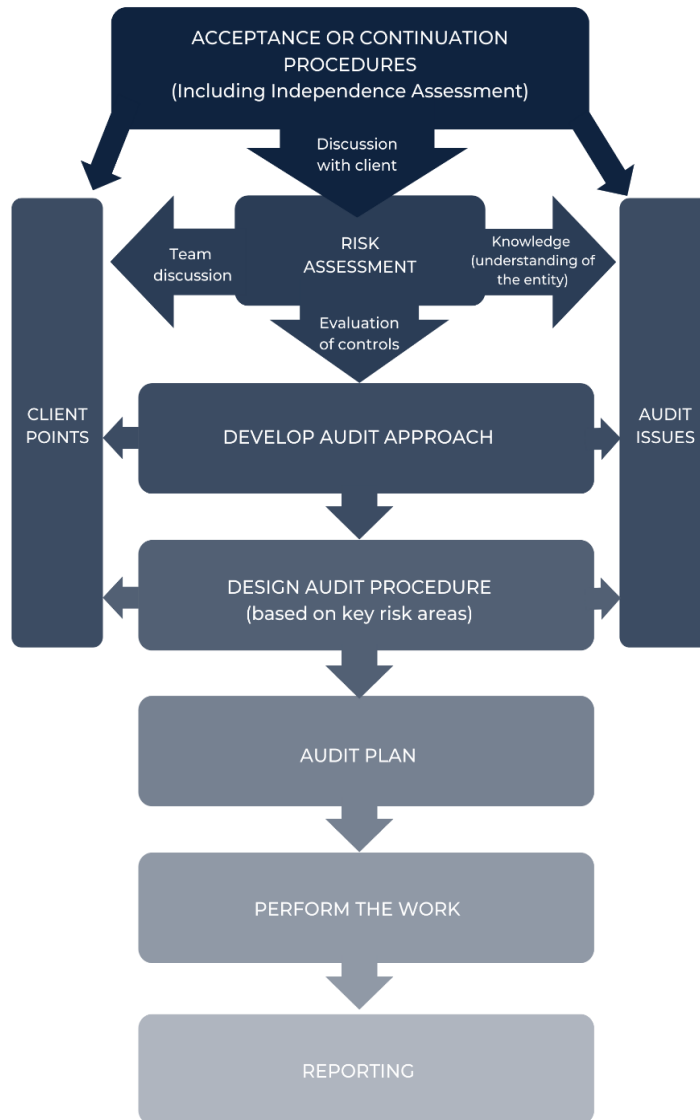
**We will carry out such work as is necessary to form an opinion as to whether the:**

- a) Annual financial report of the Shire,
  - i) Is based on proper accounts and records; and
  - ii) Fairly represents, in all material respects, the results of the operations of the Shire for the year ended 30 June 2024 and its financial position at the end of the period in accordance with the Local Government Act 1995 (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

The attendance of at least one meeting per year of the Shire's audit and risk committee by a member of our audit team may also be carried out if required. The audit team will visit the Shire's offices during the audit and will be available for subsequent meetings at the Shire's request.

# Our Audit Approach

Our audit approach comprises the following steps:



Our audit approach involves assessing your overall control environment and understanding key business processes/cycles and internal controls relevant to the audit.

The level of testing will be dependent on our assessment of the risk in each business cycle.

The extent of our reliance on controls, together with the materiality level, determines the nature and extent of our audit procedures to verify individual account balances.

## Our audit will be conducted as follows:

### We start by:

1. Obtaining an understanding your business practices, policies and procedures impacting of key areas of the financial report and any changes from last year.
2. Clarifying significant accounting issues before the annual financial report is prepared for audit.
3. Understanding the control environment and evaluating the design and implementation of key controls and, where appropriate, whether they are operating effectively.
4. Testing transactions to confirm the accuracy and completeness of processing accounting transactions, namely rates and grant revenue, expenditure and payroll.

### We then:

Focus on verifying the annual financial report and associated notes, and includes:

1. Verifying material account balances using a combination of substantive analytical procedures, tests of details, substantiation to subsidiary records and confirmation with external parties
2. Reviewing the annual financial report and notes for compliance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.

## Shire's Operations

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The Shire of Koorda is located in the Wheatbelt region of Western Australia and is approximately 235 kms from the Perth CBD.

The Shire has approximately 418 rated properties and provides a range of services to the community which includes the maintenance of roads and other infrastructure assets, waste management and library services to name a few.

The Shire uses Synergy Soft accounting system and a payroll software. Our primary contacts at the Shire are Zac Donovan (Chief Executive Officer) and Lana Foote (Deputy Chief executive Officer).



# Significant Risk & Audit Focus Areas

Through discussions with staff, review of minutes of meetings and review of audit documents issues in the prior year, we have identified the following issues and key areas of risk affecting the audit:

Details of Risk / Issue	Audit Approach
<p>Audit findings reported in the previous audit consisted of significant, moderate, and minor rated issues relating to financial control and information technology control weakness.</p>	<p>Follow-up on the issues reported to determine whether the matters have been resolved and if not, the matters will be re-reported.</p>
<p>Information Technology Risk</p>	<p>Assess whether the Shire has adequate IT controls in place to ensure that the integrity of data is protected and that access to financial areas are restricted to ensure adequate segregation of duties and follow up on control weaknesses previously reported</p>
<p>We have identified the following areas that we consider require additional focus :</p> <ul style="list-style-type: none"> <li>+ Related party disclosures</li> <li>+ Revenue recognition</li> <li>+ Unauthorised expenditure</li> <li>+ Unrecorded liabilities and expenses</li> <li>+ Contingent liabilities.</li> <li>+ Joint Arrangements</li> </ul>	<p>We will review the accounting treatment and disclosure processes during our audit.</p> <p>We will ensure the disclosures in the annual financial report are appropriate and complies with the requirements of the standards.</p>
<p>The following annual financial report items are derived from accounting estimates and hence will receive specific audit attention:</p> <ul style="list-style-type: none"> <li>+ Provision for annual and long service leave</li> <li>+ Useful lives of assets</li> <li>+ Impairment of assets</li> <li>+ Provision for rehabilitation of landfill site</li> </ul>	<p>We will review the method and underlying data that management and where applicable third parties use when determining critical accounting estimates. This will include considering the reasonableness of assumptions and corroborating representations.</p>

# Audit Emphasis & Significant Account Balances

The table below lists those items in the Statement of Financial Position and the Statement of Comprehensive Income for the year ended 30 June 2024 that are significant account balances, and our planned audit approach for these balances. When selecting significant account balances, we consider materiality, the nature of the balance, inherent risk and the sensitivity of disclosures.

Significant Account	Audit Approach
Cash and cash equivalents	<ul style="list-style-type: none"> <li>+ Review internal controls and reconciliations</li> <li>+ Verify year-end balance through bank confirmations</li> <li>+ Analytical review</li> </ul>
Trade and other receivables	<ul style="list-style-type: none"> <li>+ Year-end cut-off testing</li> <li>+ Review subsequent receipts</li> <li>+ Review provision for doubtful debts</li> <li>+ Analytical review</li> </ul>
Other financial assets	<ul style="list-style-type: none"> <li>+ Review internal controls and reconciliations</li> <li>+ Verify year-end balance through bank confirmations</li> <li>+ Analytical review</li> <li>+ Assess fair value of units in the Local Government House Trust</li> </ul>
Property, plant, equipment and infrastructure	<ul style="list-style-type: none"> <li>+ Review key processes/controls</li> <li>+ Review the fixed asset register and verify asset additions and disposals</li> <li>+ Assess assets for impairment</li> <li>+ Test items posted to construction in progress to assess appropriateness of expenses being capitalised</li> <li>+ Assess useful lives of assets and check the accuracy of depreciation.</li> </ul>
Trade and other payables	<ul style="list-style-type: none"> <li>+ Review of key processes/controls</li> <li>+ Test for unrecorded liabilities</li> <li>+ Year-end cut off testing</li> </ul>

Significant Account	Audit Approach
Employee related provisions	<ul style="list-style-type: none"> <li>+ Review the reasonableness of assumptions and calculations</li> <li>+ Analytical review</li> </ul>
Other liabilities	<ul style="list-style-type: none"> <li>+ Audit management's assessment of revenue recognition to determine whether contract liabilities have been recorded correctly.</li> </ul>
Other provisions- Rehabilitation of landfill	<ul style="list-style-type: none"> <li>+ Review the reasonableness of assumptions and calculations.</li> <li>+ Verify the inputs and reperform calculations</li> </ul>
Borrowings	<ul style="list-style-type: none"> <li>+ Verify balances to lender statements at year end</li> <li>+ Review loan agreements to ensure that the Shire has not breached any conditions and that the loan has been recognised correctly in the accounting records</li> <li>+ Recalculate the current and non-current portion to determine is correctly disclosed in the financials statements</li> </ul>
Rates	<ul style="list-style-type: none"> <li>+ Review of key processes and controls</li> <li>+ Analytical review</li> <li>+ Sample testing of transactions</li> </ul>
Grants, subsidies & contributions;	<ul style="list-style-type: none"> <li>+ Review of key processes and controls</li> <li>+ Analytical review</li> <li>+ Sample testing of transactions, this will include agreeing the sample selected back to relevant grant agreements</li> <li>+ Audit management's assessment of revenue recognition to determine whether revenue has been recorded correctly in accordance with AASB 1015 and 1058</li> </ul>
Fees and charges	<ul style="list-style-type: none"> <li>+ Review of key processes and controls</li> <li>+ Analytical review</li> <li>+ Year end cut-off testing</li> </ul>
Interest received	<ul style="list-style-type: none"> <li>+ Analytical review</li> </ul>
Other revenue	<ul style="list-style-type: none"> <li>+ Review of key processes and controls</li> <li>+ Analytical review</li> <li>+ Year end cut-off testing Analytical review</li> </ul>
Employee related expenses	<ul style="list-style-type: none"> <li>+ Review of key processes and controls</li> <li>+ Sample testing of transactions</li> <li>+ Analytical review</li> </ul>

Significant Account	Audit Approach
Materials and contracts	<ul style="list-style-type: none"> <li>+ Review of key processes and controls</li> <li>+ Sample testing of transactions</li> <li>+ Analytical review</li> </ul>
Depreciation and amortisation	<ul style="list-style-type: none"> <li>+ Review of management's assessment of the useful lives of assets and assess reasonableness.</li> <li>+ Analytical review</li> </ul>
Utility charges	<ul style="list-style-type: none"> <li>+ Review of key processes/controls</li> <li>+ Sample testing of transactions</li> <li>+ Analytical review</li> </ul>
Insurance and other expenses	<ul style="list-style-type: none"> <li>+ Review of key processes/controls</li> <li>+ Sample testing of transactions</li> <li>+ Analytical review</li> </ul>
Financial statements disclosures ( <i>related parties, contingent liabilities and key management personnel compensation</i> )	<ul style="list-style-type: none"> <li>+ Review financial statement disclosures for completeness.</li> </ul>

## Quality Delivery of Financial Reporting

Quality and timeliness of financial reporting is key for sound financial management, public accountability and effective decision making. Absence of an effective project plan for year-end financial reporting can result in delays, errors, poor quality and increased costs.

With this in mind the Auditor General requires that at the commencement of the audit the financial statements provided to audit is complete, reviewed and signed by the Chief Executive Officer.

# Compliance with Laws & Regulations

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Management is to ensure the Shire complies with the Local Government Act 1995 (as amended), and the Local Government (Financial Management) Regulations 1996 (as amended).

We are required by the Local Government Act 1995 and Local Government (Audit) Regulations 1996 to test compliance with the Act and Regulation.

An update on recent changes to the Local Government Act and Regulations, as part of the Local Government Reform, is available on the DLGSCI website (Local government reform | DLGSC).

One of the changes that impact the 2023-24 financial reporting included changes to the Local Government (Financial Management) Regulations 1996, where Regulation 17A has been amended to require local governments to revalue their land, buildings and infrastructure assets every 5 years from the asset's last valuation date. The change removed the previous requirement for local governments to revalue their assets whenever the local government is of the opinion that the fair value of the asset is likely to be materially different from its carrying amount.

The Shire's Land & Buildings and Infrastructure were last revalued in 2021 and 2023 and no revaluation is expected in the current financial year.

## Going Concern

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Auditing Standard ASA 570 *Going Concern* requires that we consider the appropriateness of the going concern assumption at the planning stage.

The Shire, being a form of local government is backed by the state government; hence going concern assumption is deemed reasonable.

Hence, the going concern basis of accounting is considered appropriate at planning stage.

# Accounting Policies

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The Shire appears to be adopting all the recognition and measurement requirements of the applicable Australian Accounting Standards.

No major changes to accounting policies noted during the year.

# Internal Audit

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We seek to rely on internal audit work to reduce our own audit work wherever possible. This avoids duplication of audit effort and the associated workload on your operational and administrative staff.

This year, no reliance is planned to be placed on internal audits as the Shire does not have an internal audit function and no internal audits are conducted.

# Management Representation Letter

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Our audit procedures assume that management expects to be in a position to sign a management representation letter.

This letter should be reviewed and tailored to meet your Shire's particular circumstances, and be signed and dated by the CEO as close as practicable to the date of the proposed auditor's report. Ordinarily, this would be no longer than 5 working days prior to the issue of the auditor's report.

We will also be relying on the signed Statement by the CEO in the annual financial report as evidence that the CEO has:

- + fulfilled the responsibility for the preparation of the annual financial report in accordance with the *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standards.
- + provided us with all relevant information necessary or requested for the purpose of the audit.
- + ensured that all transactions have been recorded and are reflected in the annual financial report.

# Related Parties

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Section 7.12AL of the *Local Government Act 1995* applies section 17 of the *Auditor General Act 2006* to a local government. Section 17 requires a local government to advise the Auditor General in writing of details of all related parties and entities that are in existence.

# Reporting Protocols

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Significant issues identified during the course of the audit will be discussed with relevant staff and management as soon as possible after being identified. Draft management letters will be provided to your CEO (or other nominated representative) for coordination of comments from appropriate members of your management. We request that these be returned quickly, preferably within 10 working days.

At the conclusion of the audit, the abovementioned management letter will accompany the auditor's report and the audited annual financial report forwarded to the President, the CEO and the Minister for Local Government. The management letter is intended to communicate issues arising from the audit that may impact on internal control, compliance, and financial reporting.

Where considered appropriate, and to ensure timely reporting of audit findings and action by management, interim management letters may be issued to the CEO.

On conclusion of the audit, we propose to discuss the audit outcomes with the audit committee, CEO and Councillors.

Thereafter, as required by section 7.12 AD(2) of the *Local Government Act 1995*, we will give our auditor's report to the CEO, the President and the Minister. We will also give them any management letter issues, including interim management letters.

Specific matters resulting from issues identified during the audit may be reported in the Auditor General's Report to Parliament. Should this occur, you will be consulted in advance to assure the context and facts of the issue are adequately represented.

# Specific Audit Requirements

We will discuss our requirements with your staff to facilitate a timely, efficient and effective audit. We will formally agree our information requirements and timeframes for the audit with your CEO and by using your staff to have various documents readily available when we perform our audit.

## Environmental, Social and Governance

Entities should refrain from disclosing ESG matters or climate-related risks in financial statements as there is currently no established reporting and auditing frameworks for state or local government entities. These frameworks are still in the development phase.

## Your Audit Team

Position	Name	Contact
<b>OAG Representative</b>	Stephanie Kaharudin	(08) 6557 7680 Stephanie.Kaharudin@audit.wa.gov.au
<b>Armada Director</b>	Marcia Johnson	(08) 6165 4000 marciaj@armada.com.au

Marcia Johnson will be your primary contact and will communicate progress and any emerging issues to you.

## Proposed Audit Schedule

See attached Audit Timetable.



# Other Audit Activities

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The OAG has recently completed or undertaking the following audits relevant to local government. Through these audits, OAG aims to identify good practice and opportunities for improvement. You may therefore wish to review these reports as they may have relevance to your local government. They are available at [www.audit.wa.gov.au](http://www.audit.wa.gov.au)

We recommend the Shire access the Audit Readiness – Better Practice Guide supported by an audit readiness tool tabled on the 30 June 2024 as a resource to assist with its external reporting and assurance obligations.

[Audit Readiness – Better Practice Guide - Office of the Auditor General](#)



## Contact us

[www.armada.com.au](http://www.armada.com.au)

[info@armada.com.au](mailto:info@armada.com.au)

(08) 6165 4000



AUDIT CLIENT:	Shire of Koorda		
AUDIT AREA:	Audit Timetable		
		DATE:	09 April 2024

Our audit timetable for the financial year ended 30 June 2024 is as follows:

Key area	Target date	Person responsible
<b>PLANNING AND INTERIM AUDIT</b>		
Planning information request to SOK	10 April 2024	AMA
Planning Information provided to AMA	17 April 2024	SOK
Audit planning risk assessment	19 April 2024	AMA & SOK
Interim Information request to SOK	19 April 2024	AMA
Interim Information provided to AMA	6 May 2024	SOK
Interim samples provided to SOK	10 May 2024	AMA
Audit Entrance Meeting	15 May 2024	AMA & SOK & OAG
Interim sample supporting documents provided by SOK	16 May 2024	SOK
Interim Audit Field Work	20 to 24 May 2024	AMA & SOK
Queries and finalisation	31 May 2024	AMA & SOK
Director review of Interim audit work	7 June 2024	AMA
Finalise interim audit and possible management letter points if applicable	14 June 2024	AMA & SOK
Interim audit work provided to OAG for review	18 June 2024	AMA
Feedback from OAG	21 June 2024	OAG
Interim Management Letter issued if applicable	28 June 2024	AMA & SOK
<b>FINAL AUDIT</b>		
Bank Confirmation Requests	5 July 2024	AMA & SOK
Final information request provided to SOK	5 July 2024	AMA
Information provided for final audit (includes final trial balance, draft financial	1 August 2024	SOK

AUDIT CLIENT:	Shire of Koorda		
AUDIT AREA:	Audit Timetable		
		DATE:	09 April 2024

statements and information requested by audit)		
Financial statements provided to AMA	1 August 2024	SOK
List of samples provided to SOK	6 August 2024	AMA
Audit Field Work – in person	12 to 15 August 2024	AMA & SOK
Queries and Finalisation Audit - remote	19 to 23 August 2024	AMA & SOK
Director Review	30 August 2024	AMA
Finalise queries and financial Report and possible management letter issues finalised	6 September 2024	AMA & SOK
Audit Pack provide to OAG for review	9 September 2024	AMA
Feedback from OAG	13 September 2024	OAG
Resolve Queries and changes to financial statements	23 September 2024	AMA & SOK
Audit Exit Meeting	30 September 2024	AMA & SOK & OAG
Financial Statements and Management Representation Letter signed	1 October 2024	SOK
Audit Report Issued	4 October 2024	OAG
Council Meeting to adopt financial statements	16 October 2024	SOK

**Key:**

SOK = Shire of Koorda – Zac Donovan (Chief Executive Officer) and Lana Foote (Deputy Chief Executive Officer)

OAG = Office of the Auditor General – Stephanie Kaharudin – (Assistant Director Financial Audit)

AMA = Armada Audit – Marcia Johnson (Director) and Audit Team