AUDIT & GOVERNANCE COMMITTEE

AGENDA

Meeting to be held on 1 March 2016, at 6:30pm in the Unley Council Chambers, Civic Centre 181 Unley Road Unley

MEMBERS:

Mr John Rawson (Presiding Member)
Mr Ed Parker (Independent Member)
Mr Sean Tu (Independent Member)
Councillor Michael Rabbitt
Councillor Rob Sangster

REPORT TO COUNCIL:

29 March 2016

COMMITTEE MEETING - ORDER OF BUSINESS

APOLOGIES

CONFLICT OF INTEREST

CONFIRMATION OF MINUTES

MOVED: SECONDED:

That the minutes of the Audit and Governance Committee meeting, held on Tuesday, 13 October 2015, as printed and circulated be taken as read and signed as a correct record.

BUSINESS ADJOURNED

DEPUTATIONS / PRESENTATIONS

1. A presentation will be given by Mike Carey (Manager Finance) on the 2015/16 Long Term Financial Plan

2. An update will be provided by Peter Tsokas (CEO) on the Efficiency and Effectiveness Review

REPORTS OF OFFICERS

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	Discussion - CFO Role	

PROPOSED AGENDA ITEMS FOR NEXT MEETING

As per approved Work Plan Item 22/2016

NEXT MEETING DATES

Tuesday 24 May 2016 Tuesday 30 August 2016 Wednesday 12 October 2016

CORRESPONDENCE

TITLE: CORRESPONDENCE

ITEM NUMBER: 23

DATE OF MEETING: 1 MARCH 2016

ATTACHMENTS: 1. CENTENNIAL PARK CEMETERY

AUTHORITY

MOVED SECONDED

That the correspondence from:

1. Centennial Park Cemetery Authority

a. Audit and Risk Management Committee Minutes - 9 November 2015

be received.



MINUTES OF THE MEETING OF THE AUDIT AND RISK MANAGEMENT COMMITTEE HELD: MONDAY 9TH NOVEMBER 2015 BOARD ROOM

1. OPEN MEETING

The meeting opened at 8.28 am.

PRESENT: Lisa Bishop (Independent Member)

Geoff Vogt (Independent Member)
Grant Martinella (Independent)

IN ATTENDANCE: Stephen Hains (Chair) (Independent Member)

Bryan Elliott (Chief Executive Officer, Centennial Park) Eva Salib (Manager Business & Corporate Services)

Andrew Ngo (Mitcham Council)
Michael Carey (Unley Council)

Susan Seymour (Executive Assistant - Minute Taker)

1.1. APOLOGIES NII

1.2. CONFIRMATION OF PREVIOUS MINUTES

The minutes of the meeting of the Audit and Risk Management Committee held Monday 10th August 2015 were circulated with the agenda.

MOVED G Martinella, SECONDED L Bishop that the minutes of the meeting of the Audit and Risk Management Committee held Monday 10th August 2015 be taken as a true and correct record.

CARRIED



1.3. MATTERS ARISING

1.3.1. SCHEDULE OF OUTSTANDING ITEMS

It was requested that it was documented on the Schedule of Outstanding Items that during the August 2015 Audit & Risk Management Committee meeting a request had been made to review the depreciation on motor vehicles and recommend a more appropriate rate. The recommendation is due in May 2016.

There were no other amendments to the Schedule of Outstanding Items.

1.4. DECLARATION OF INTEREST

Members of the Audit and Risk Management Committee were invited to detail any interest in any agenda items that may impact on their fair and reasonable deliberations.

None were declared.

2. REVIEW OF INVESTMENTS

2.1. BUSINESS INVESTMENT

(A/O - Manager Business & Corporate Services)

The Audit & Risk Management Committee noted the report.

MOVED G Martinella, SECONDED L Bishop:

2.1.1. That the report be received.

CARRIED

2.2. FUTURE UPKEEP PROVISION REVIEW (A/O – Manager Business & Corporate Services)

It was advised that the Future Upkeep Provision Review was sent to Mitcham Council every guarter and was reviewed closely by A Ngo.

It was requested that an explanation for the decrease in cash and cash equivalents be added to the table within the report.

MOVED L Bishop, SECONDED G Martinella:

2.2.1. That the report be received.

CARRIED



3. POLICY REVIEWS

3.1. FIXED ASSET POLICY AMENDMENT (A/O – Manager Business & Corporate Services)

The Manager Business & Corporate Services was invited to speak to her report and further clarified the reasons for the recommended minor amendment to FA 3.0 Fixed Asset Policy.

It was noted that each submission regardless of value has to be accompanied by a one-page report detailing expected outcomes and justification for the expenditure and that the Capital Expenditure Budget was submitted to the Board for review and approval.

MOVED L Bishop, SECONDED G Martinella:

- 3.1.1. That the report be received; and
- 3.1.2. That the Major Project Proposal be completed for all projects valued at \$100,000 or more.

CARRIED

4. RISK MANAGEMENT

4.1. BUSINESS RISK ASSESSMENT UPDATE

The Manager Business & Corporate Services advised the meeting that a complete rewrite of ControlTrack was in progress. It was anticipated that the Business Risk Assessment would be expanded to incorporate non financial risks, however, it is likely that the expanded version will cost substantially more than the current annual licence. The content of the report was discussed at length which highlighted the administrative burden and lack of resources available to meet the increasing demands of compliance in all facets of operation, and the impact that has on the Authority's ability to meet strategic objectives including several key projects currently underway.

It was recommended that as part of the Authority's annual business risk review, the Leadership Team considers realistic strategies and the additional resources that may be required to meet the increasing mandatory compliance. Any additional resources would be included in the draft Operating Budget for the next financial year.

It was also agreed that it would be timely for the Board to review report requirements for the Board of Management monthly agenda and other compliance and reporting tasks to alleviate additional administrative burden.

MOVED L Bishop, SECONDED G Martinella:

- 4.1.1. That the report be received.
- 4.1.2. Discuss with the new CEO the risk management and recommend to the board a review of board reporting.

CARRIED



4.2. TRADING RESULTS FOR SEPTEMBER 2015

A disappointing result for September was noted; however, it was acknowledged that it was still only at the beginning of the new financial year.

MOVED G Martinella, SECONDED L Bishop:

4.2.1. That the report be received.

CARRIED

4.3. REVIEW OF AGED DEBTORS

CONFIDENTIAL ITEM

It was advised that the figures under the column heading "Future" listed debtors' payments received since month-end.

MOVED L Bishop, SECONDED G Martinella:

- 4.3.1. That the report be received.
- 4.3.2. That the Committee considers that the attachment of this agenda item should not be made public on the grounds that the information contained is of a commercial nature, the disclosure of which would confer a commercial advantage on a third party.

CARRIED

4.4. STATISTICS FOR SEPTEMBER 2015

The Audit & Risk Management Committee noted the report.

MOVED G Martinella, SECONDED L Bishop:

4.4.1. That the report be received.

CARRIED

5. MATTERS FOR DECISION

5.1. EXPRESSIONS OF INTEREST – PAYROLL & ACCOUNTING SYSTEMS

The Manager Business & Corporate Services explained that part of the IT Plan was to review all the significant applications, two of which were the Payroll & Accounting Systems. The report provided to the Committee summarised the responses received, the range of costs for replacements, the reasonable fit of the current systems and some of the difficulties that may be encountered if the Payroll and Accounting Systems were changed at this stage with one key Finance Officer about to commence maternity leave.

MOVED G Martinella, SECONDED L Bishop:

- 5.1.1. That the report be received; and
- 5.1.2. That the Authority continues to use the current payroll, HR and time management systems until such time as the applications cease to meet the Authority's payroll and HR requirements or in five years whichever comes first; and



- 5.1.3. That the Authority continues to use the current accounting application, until such time as the application ceases to meet the Authority's accounting requirements or in five years whichever comes first; and
- 5.1.4. That the committee considers that the report of this agenda item should not be made public on the grounds that the information contained is pertaining to tenders for the provision of services to the Authority, the release of which would be detrimental to all parties.

CARRIED

6. OTHER BUSINESS

6.1. CORRESPONDENCE

The correspondence sent to the City of Mitcham and the City of Unley giving calculation options for the Liability Guarantee in accordance with the Charter was noted by the Committee.

MOVED L Bishop, SECONDED G Martinella:

6.1.1. That the report be received.

CARRIED

6.2. EXEMPTION FROM SECTION 38(2)(a) OF THE BURIAL AND CREMATION ACT 2013

The meeting was advised by the Chief Executive Officer that an exemption had been granted from Section 38(2)(a) of the Burial and Cremation Action 2013 which now allowed the Authority to submit a quarter page advertisement in the general news section of the newspaper which directs the public to Centennial Park's website to obtain further information.

The Committee congratulated the Chief Executive Officer for his exceptional achievement of obtaining the exemption.

MOVED L Bishop, SECONDED G Martinella:

6.2.1. That the report be received.

CARRIED

6.3. OBSERVERS

Due to changes to the Authority Charter, A Ngo and M Carey were no longer members of the Audit & Risk Management Committee members. Mr Ngo and Mr Carey were thanked for their valuable contribution to the Committee and were recognised for their attendance at the meeting in the capacity of observers only. It was agreed that they were to continue to receive the agendas and minutes of the meetings of the Audit & Risk Committee.

6.4. CHIEF EXECUTIVE OFFICER

It was noted that this was the last meeting of the Audit & Risk Management Committee where B Elliott, Chief Executive Officer would be in attendance. Mr Elliott was thanked for all his support and valued contribution.



7. NEXT MEETING

The next meeting of the Centennial Park Cemetery Authority Audit and Risk Management Committee is set down for 8.30am Monday 8th February 2016 in the Board Room, Centennial Park Cemetery, 760 Goodwood Road, Pasadena, South Australia.

8. CLOSE OF MEETING

There being no further business the meeting closed at 9.04 am.

INFORMATION REPORT

REPORT TITLE: INTERNAL AUDIT UPDATE RE

IMPLEMENTATION OF INTERNAL AUDIT

RECOMMENDATIONS

ITEM NUMBER: 24

DATE OF MEETING: 1 MARCH 2016

AUTHOR: REBECCA WILSON

ROLE: GROUP MANAGER GOVERNANCE AND RISK

EXECUTIVE SUMMARY

To provide the Audit and Governance Committee with a summary of the status on implementation of agreed internal audit recommendations from Bentley's made between September 2014 to June 2015.

RECOMMENDATION

MOVED:

SECONDED:

That:

1. The report and attachments be received.

DISCUSSION

Bentleys commenced internal audits at the City of Unley as part of the Eastern Region Alliance contract in September 2014. On the completion of each Internal Audit project, a formal report is drafted for discussion with senior management. The reports include details of the audit work performed, audit findings, implications of the findings and recommendations for action.

From September 2014 through until June 2015, there have been four internal audits undertaken;

- Financial Delegations and Credit Card
- Contract Management
- Infringements' and
- Payroll.

16 Internal recommendations were made across these Council business areas with a total of 11 (68.8%) reported by management to have been implemented at the time of the review. Outstanding recommendations relate to three under Contract Management and two under Infringements. All five recommendations although not completed are on track.

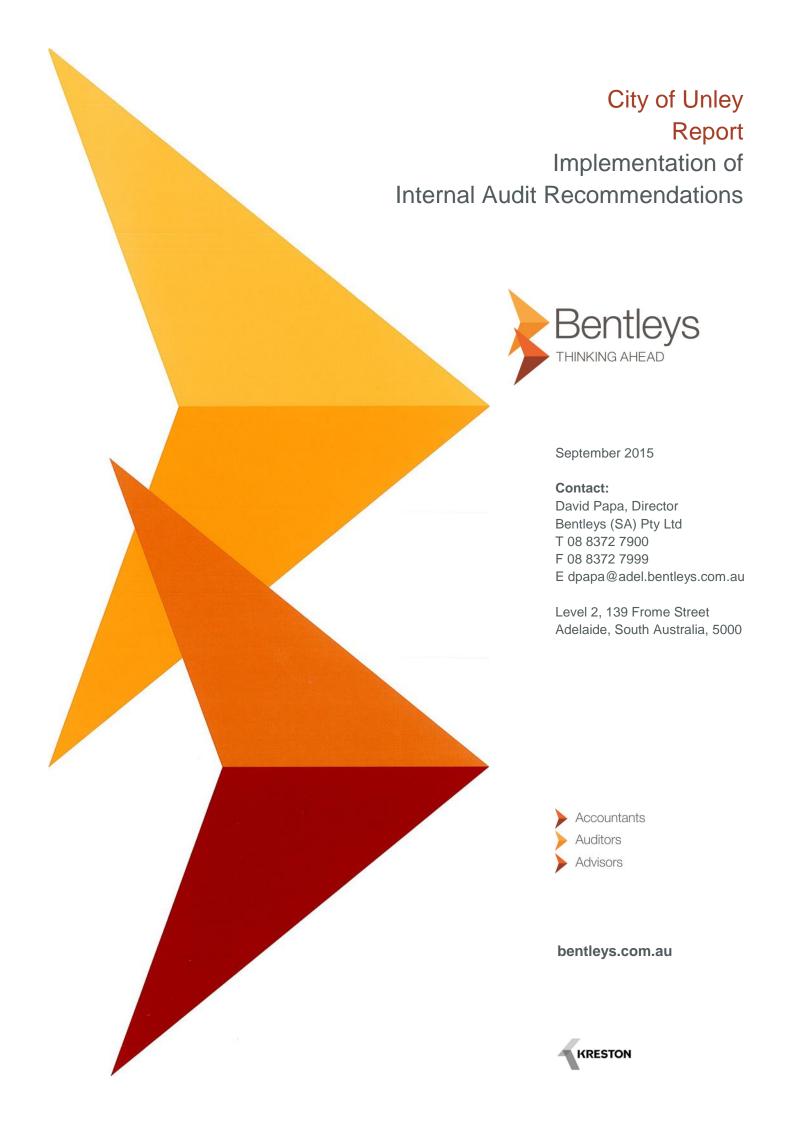
The Contract Management Framework at the time was being developed and refined before training and roll out to staff. When this is completed, the three outstanding recommendations will be able to be finalized.

Infringement recommendations are being considered, however some research needs to be undertaken on the recommendation as there are others factors to be considered should these recommendations be implemented, for instance creating KPIs can result in team morale being affected and public relations issues.

Management is discussing the requirements of the distribution of the infringements data compiled by the Team Leader of Regulatory Services.

ATTACHMENTS:

1. Implementation of Internal Audit Recommendations report September 2015



Private & Confidential

To: Stephen Faulkner,

General Manager, People and Governance

Copy: Audit Committee

Report

Implementation of Internal Audit Recommendations

We have completed our review on the status of internal audit recommendations implementation for the City of Unley. Please find attached our report containing details of our review.

An Executive Summary is provided for consideration by the Audit Committee.

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Inherent Limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to this review operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Unley management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed. The findings expressed in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Official Order and for City of Unley information, and is not to be used for any other purpose or distributed to any other party without Bentleys (SA) Pty Ltd's prior consent.

This summary report has been prepared at the request of City of Unley management or its delegate. Other than our responsibility to the management of the City of Unley, neither Bentleys (SA) Pty Ltd nor any member or employee of Bentleys (SA) Pty Ltd undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Unley external advisors, on this summary report. Any reliance placed is that party's sole responsibility. Liability limited by a scheme approved under Professional Standards Legislation.



EXECUTIVE SUMMARY

INTRODUCTION

Internal Audit assists management in delivering the objectives of the Council by assessing exposure to risk and recommending, where appropriate, practical improvements to the control environment.

It is best practice for Internal Audit to assess the extent to which management have implemented agreed audit recommendations. It is management's responsibility to ensure that proper consideration is given to Internal Audit reports. The Internal Auditor should ensure that appropriate arrangements are made to determine whether action has been taken on Internal Audit recommendations, or that management has understood and assumed the risk of not taking action.

Arrangements should be put in place to monitor the progress on the implementation of recommendations by management. Internal Audit should follow up on management action arising from its assignments. Follow-up action should include a review of the timeliness and effectiveness of the implementation of its recommendations.

BACKGROUND

On completion of each Internal Audit project, a formal report is drafted for discussion with senior management. Such audit reports include details of the audit work performed, audit findings, implications of these findings, and recommendations for action. Since September 2014, all Internal Audit recommendations have been prioritised in accordance with the following key

- High Priority. A extreme or high risk / material concern which, if not effectively managed, may be detrimental to the Council's interests, significantly erode internal control, or jeopardise achievement of aims and objectives.
- Medium Priority. A moderate risk which, if not effectively managed, could adversely affect the Council's interests, weaken internal control, or undermine achievement of aims and objectives.
- Low Priority. A low risk, where adoption of best practice would improve or enhance systems, procedures and risk management for the Council's benefit.

Applying this weighting system to Internal Audit recommendations is designed to assist management in assessing the severity of each recommendation and the associated priority of each action.

Each audit report is discussed with relevant line management, and management responses for each audit recommendation are obtained and recorded on a schedule of recommendations. In addition to recording management's agreed course of action for each recommendation, the schedule also records:

- the officer nominated by management to perform each agreed action;
- the target date for implementation agreed by management.

This schedule is issued to management along with the final audit report, and acts as an action plan / checklist.



Data on implementation of Internal Audit recommendations will be presented to the Audit Committee on an annual basis. This allows the Audit Committee to monitor the proportion of Internal Audit recommendations to be implemented by management.

This report documents the outcomes of the review of management action taken in respect of Internal Audit recommendations made in the period September 2014 to June 2015.

IMPLEMENTATION STATUS

Of the 16 Internal Audit recommendations made across Council business areas between September 2014 and June 2015, a total of 11 (68.8%) were reported by management to have been implemented at the time of the review. The responses made by each Division are detailed in Appendix 1.

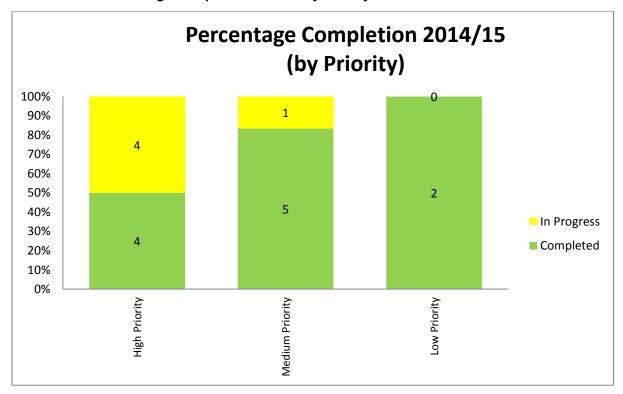
Status on Implementation of Agreed Audit Recommendations made between September 2014 and June 2015 is summarised below:

Table 1

Implementation Status	High Priority		Medium	Priority	Low Priority	
implementation status	No.	%	No.	%	No.	%
Completed	4	50%	5	83%	2	100%
In Progress	4	50%	1	17%	0	0%
Total	8	100%	6	100%	2	100%

The percentage of completion is summarised below.

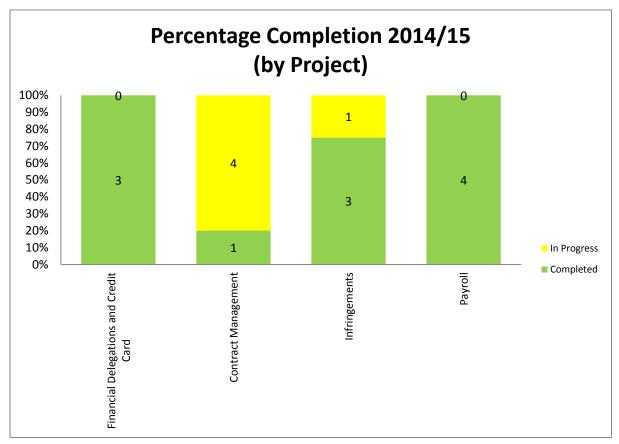
Attachment 1 Percentage Completion 2014/15 by Priority



Note: This chart provides the completion percentage of the implementation by priority.



Attachment 2 Percentage Completion 2014/15 by Project



Note: This chart provides the completion percentage of the implementation by audit project.

The outstanding recommendations relate to:

Contract Management

- A Contract Management Framework has been developed and is now being refined before training and roll out to relevant staff. The policies and procedures are being completed/developed as part of the contract framework review.
- A Contract Management Procedure (corporate) will be developed as part of the existing Project Management Framework. Management envisages reporting will be defined within the development of the Corporate Contract Management Procedure.
- Council is evolving its corporate reporting and is conscious of an inconsistent approach to reporting and management of contracts. Currently reports on the financial performance of all operating and capital projects to the Executive.

Infringements

- Feam leader checks infringement data and stats daily, reviewing number of tickets, type and location. There used to be a report on the number of tickets issued and the dollar value in the organisational quarterly report but this information has been requested at a corporate level this year. This will be done again as the data is readily accessible.
- Creating KPI's for expiations can affect team morale and public relations issues, especially if specific expiation targets are set for Parking Inspectors.

This will be progressed with the appropriate manager of business areas.



ACKNOWLEDGEMENT

We appreciate the assistance and cooperation received from management and staff of City of Unley in completing the internal audit assignments.



APPENDIX 1 CITY OF UNLEY INTERNAL AUDIT AGREED ACTION PLAN AND FOLLOW-UP

Projects	Ref	Findings	Risk	Risk Rating	Recommendation	Management Response	Due Date	Person Responsible	Status
	1	There are no purchase card procedures defined for divisions other than Assets & Infrastructure Division. Corporate Credit Card Policy is in draft and has not been formalised.	Use of the incomplete policy and procedure as guidance could increase the risk of noncompliance.	High	Complete Purchase Card Procedures for all division and formalise Corporate Credit Card Policy to provide detail and clarity for the current requirement and to reflect the desired practice.	As part of a wider review of procurement the credit card policy will be revised to cover all purchase cards, fuel cards and applicable to all divisions. This will be completed and adopted by the end of March 2015.	31/03/2015	Manager Finance & ICT	Complete
Financial Delegations	2	5 out of 30 Coles purchases selected were not approved by independent employee (segregation of duties). 1 out of 30 Coles purchases selected contains no approval signature on the invoice.	Unauthorised purchase card reimbursement could increase the risk of non-business and inappropriate items being purchased.	Moderate	Review the reimbursement procedures and process to ensure the invoice is authorised by independent person who has the purchasing limit.	Will remind the business and Account Payable that all invoices require authorisation by a non-peer employee with sufficient delegation. Reminders to occur by the end of January 2015.	31/01/2015	Senior Accountant	Complete
and Credit Card	3	2 out of 6 fuel card invoices (May and August 2014) were not certified by Manager Operational Services. According to BP, when selected, cardholders will be prompted to supply odometer readings to the console operator at time of purchase. The use of odometer readings provides additional tracking measures for the organisation. Motor Vehicle Policy also requires the exact odometer reading is to be given for all fuel and car wash purchases. However, there are 37 out of 90 vehicle odometer readings identified as not been recorded when refuelling. Please refer to Attachment 5 List of Vehicle Odometer not been recorded for the period from May to October 2014.	Unauthorised fuel card reimbursement could increase the risk of additional costs being incurred on these items.	Moderate	review the reimbursement procedures and process to ensure the invoice is authorised by independent person who has the purchasing limit. Not input odometer readings when refuelling could increase the risk of non-business and inappropriate items being purchased. review the Fuel Card Control Report to check the integration of information being input, in particular to the odometers input.	Will remind Accounts Payable that all invoices require authorisation by the Manager Operational Services. Will remind all employees with fuel cards that odometer readings must be supplied when refuelling. Reminders to occur by the end of January 2015.	31/01/2015	Senior Accountant	Complete
	4	Procurement Framework is due for review. Local Government Act 1999 requires the Council to have a 'Contract and Procurement Policy' under section 49. The current Procurement Framework requires once a contract has been executed and the supplier has started work, the contract is managed to diligently maximise the commercial outcomes and reduce risk for the CoU. This framework is currently due for review. Management is in the process of reviewing the framework.	Use of the incomplete policy and procedure as guidance could increase the risk of noncompliance.	High	Complete the Procurement Framework. This should provide detail and clarity over contract management, with the objective of maximising opportunity and reducing risk of achieving the desired result for the Council.	A Contract Management framework has been developed and is now being refined before training & roll out to relevant staff. The policies and procedures are being completed/developed as part of the contract framework review.	31/12/2015	General Manager, Assets and Infrastructure	On Track
	5	There is no corporate level contract management procedure (including third party contract management procedures). Key contract monitoring mechanisms are not specifically documented during contract initiation. A corporate level contract management procedure is required to ensure contract management related risks are considered earlier in the tender management process and appropriately managed.	Lack of procedure as guidance could increase the risk of noncompliance and may not identify new contract risks throughout the contract period.	High	There is now broad recognition that the growing emphasis on agreeing "deals" has not always flowed into consistent and effective management of contracts post appointment. It is recommended management develop a corporate level contract management procedure to define good Contract Management Practice, including: - Contract management plan - Contract management related risk assessment - Contract record keeping - Contract management roles and responsibilities - Performance management - Contract reporting - Negotiating contract variations - Managing contract disputes - Contract completion - Contract management checklist, which may include: - Commercial - Of Health & Safety - Operational performance - Ostakeholder relationship	A Contract Management framework has been developed and is now being refined before training & roll out to relevant staff.	31/12/2015	General Manager, Assets and Infrastructure	On Track
Contract Management	6	There is no corporate level performance reporting procedure. The current performance reporting method varies from divisions.	Lack of procedure as guidance could increase the risk of noncompliance and Stakeholders not consulted and/or kept informed about contract performance.	High	Establish a corporate level performance reporting procedure to establish a standard method for monitoring and reporting on the performance of contracts managed by the Council.	Council is evolving its corporate reporting and is conscious of an inconsistent approach to reporting and management of contracts. Currently reports on the financial performance of all operating and capital projects to the Executive. Management envisages reporting will be defined within the development of the Corporate Contract Management Procedure.	31/12/2015	General Manager, Assets and Infrastructure	On Track
	7	Major service contracts are not always routinely reviewed to confirm if they are delivering value for money. Routine and accurate reporting on the performance of a contractor during the life of a contract is an essential element of contract management.	By not conducting a routine review of the major service contracts, the CoU is at increased risk of not identifying contractor underperformance, and therefore not maximising value.	Moderate	undertake a routine performance review of major service contractors. This will facilitate the identification of performance areas the service contractor is excelling and areas that may need improvement.	Major service and panel contracts (usually 3-5 year term) are reviewed annually to consider performance, value for money and statutory compliance. Council has introduced acquisition plans, developed as part of the contract renewal/expiry stage to assess service offering, value for money, experience of key staff and expected key deliverables.	30/06/2015	General Manager, Assets and Infrastructure	Complete
	8	2 out of 7 selected works contract have no completion certificate issued after the works practical completion. Inconsistent approach applied to contract completion for works contract. The contract administrator certifies practical completion when all the works described in the contract have been sufficiently carried out.	Inconsistent approach applied to contract completion for works contract could increase the risk of noncompliance and failure to act on contractor underperformance.	Moderate	provide a guide/ training regarding issuing a completion report. It is also important to note the defects liability period, which follows certification of practical completion, is not a chance to correct problems apparent at practical completion. It is the period during which the contractor may be recalled to rectify defects that appear. If there are defects apparent before practical completion, these should be rectified before a certificate of practical completion is issued.	As previously stated, a Corporate Contract Procedure is being developed and will incorporate necessary skill requirements to undertake same. It will also provide necessary education in areas such as risk, size of contract and key milestone considerations including performance against objectives and practical completion. Initial training has occurred and further training will be undertaken as indicated above	31/12/2015	General Manager, Assets and Infrastructure	On Track
Infringements	9	Our review found that there is no data analysis of monthly, quarterly or annual results by Management. We did note that the outstanding fine balance reports were provided to the Team Leader. However, there is no analysis or reporting to Management of: the number of tickets issued number of tickets disputed and waived reasons for tickets being disputed and waived identification of high risk areas within the Council outstanding fines balance and follow up This data could be used by the Council to improve performance of the parking infringements process, which can identify where problem areas are and where improved signage may be required. It could also be used to establish KPI's with respect to the Council's education, encouragement and enforcement objectives.	Management is not provided with a regular periodic report of parking infringements data and there is no regular assessment made of revenue collected. Also, by not focusing on the right Council areas could result in upsetting the community and have a potential reputational impact to the Council.	High	We recommend that a regular monthly report, along with appropriate commentary, be sent to management to enable them to more effectively monitor parking and other infringements to adapt Council operations to better the Community. We also recommend that management establish KPI's for the parking and other infringements to monitor and identify opportunities or problems associated with the processes.	Team leader checks infringement data and stats daily, reviewing number of tickets, type and location. There used to be a report on the number of tickets issued and the dollar value in the organisational quarterly report but this information has been requested at a corporate level this year. This can be done again easily as the data is readily accessible. Creating KPI's for expiations can affect team morale and public relations issues, especially if specific expiation targets are set for Parking Inspectors. Management is in discussion of where the Management Report is to be distributed.	30/06/2015	Team Leader	On Track



	10	Our analysis of the parking infringements data indicated that there were 3 instances out of 687 tickets waived with no description or reason provided in Pathway, the expiation management system. The type of the 3 instances are a voided offence (ticket entry).	Loss of data integrity and inconsistency in the review and waiving of infringements.	Low	Although the 3 instances of tickets waived only have a combined value of only \$160, we suggest that there should always be a valid description provided when the Council Officer has made a decision to waive a ticket. Management should investigate the reason no details were recorded for the 3 tickets. Quantity of waived tickets should form part of monthly reporting.	This finding is a very low error rate. Exemption reports can be easily distributed if required. The three (3) without descriptions are human errors/oversights. This issue has already been addressed through discussions with those officers responsible for waving expiations to ensure comments are always added.	30/06/2015	Team Leader	Complete
	11	The relevant procedures were reviewed by Wallmans Lawyers in June 2013. However, the procedures require management to review annually. The current procedures are due for review.	Lack of reviewed/updated procedures could potentially result in errors when someone unfamiliar with the process is required to prepare the function and increase the risk where there is a change of staff.	Low	Documented procedures provide efficient and accurate guidance to the processing of parking and other infringements. It is recommended management develop a formalised procedure for the infringement process to ensure that staff who may need to perform the function can do so correctly and efficiently.	The procedures are based on legislation which rarely changes. However when a change to legislation is made the Team Leader will review the relevant SOP and make any necessary changes. The administration infringement processes are also documented. All procedures in ECM Dataworks have now been adjusted to reflect a 3 yearly review cycle.	30/06/2015	Team Leader	Complete
	12	The incoming documents such as collected evidence or review submission are stored in Dataworks, Councils records management system which has version control on documents. However, the documents such as memos, notes, letters stored in Pathway are editable and can be altered with no version control.	Damages or alterations of an official record could result in a breach of the State Records Act 1997.	Extreme	We recommend that management review the application control of the Pathway system for document security, or consider integration with the Council records management system, Dataworks, to ensure the document recorded is meeting the security requirement of the State Records Act 1997.	All team members are now manually registering all outgoing correspondence into ECM Dataworks.	30/06/2015	Team Leader	Complete
	13	Our review found that there were 4 (out of 118) instances the 2013 wage hourly rates input in the Chris21 were not agreed to the EBA wage rates: Swimming Centre EBA - 2013 USCAD1 Swim Instruct (0-100) rate 23.97, should be 24.80 Swimming Centre EBA - 2013 USCAD3 Swim Instruct (200+) rate 24.92, should be 25.80 Swimming Centre EBA - 2013 USCAD4 Swim Instruct (200+train) rate 24.92, should be 25.80 Municipal Officers EBA - 2013 MOA Grade 1 Step 1 Jnr 17 yrs casual rate 17.10, should be 17.67 The 2014 and 2015 wage rates were all accurate and in compliance with Council EBA and awards.	Wages are paid at the incorrect rates of pay.	High	We recommend management establish a mechanism for independent review of changes to payroll master files. Changes to master file data such as wage rates should be supported by forms approved by a senior responsible official and independently reviewed.	The rates listed above are not currently relevant to the current rates in use. Any changes to the master file data such as wages rates are independently reviewed before being updated in the payroll system and signed off accordingly.	31/7/15	Payroll Officer	Complete
Payroll	14	Our review found that there were 3 (out of 5) instances where new employee data was input into the payroll system Chris21 but not independently verified and signed off. The industry best practice suggests that all employee profile additions and modifications in the payroll system should be verified against the source document by an independent and authorised approver.	Inaccurate employee information could be entered into the payroll system.	Moderate	All employee profiles on creation and subsequent modification should be independently verified against source documentation by an authorised person before it goes "live" in the payroll system.	All profile additions and modifications in the payroll system are verified against source documents, etc. It is now part of the procedure to have a signature on the documentation accordingly.	31/7/15	Payroll Officer	Complete
	15	The current practice requires a dual verification and authorisation of EFT payroll payment. The Payroll Officer creates the EFT direct credit report and two accountants verify the payment and sign off. Our review found 1 (out of 10) instance, where only one signature for EFT verification (pay run 761) was obtained indicating only one review of the pay run.	Payroll calculation is inaccurate or incomplete and incorrect payment is made.	Moderate	It is recommended management ensure the EFT direct credit report is reviewed and verified by two persons before payment is made.	EFT payments cannot be made unless there are two persons who 'authorise' the payment through the banking web site. Noted for the future to ensure that both of those 'authorisers' sign the paperwork.	31/7/15	Senior Accountant	Complete
	16	Chris21 user access was not reviewed. It contains users that are no longer employed by CoU, users still employed but in incapable roles and other irrelevant users.	Unauthorised access to payroll master file.	High	We recommend that management review access controls for the payroll system such as passwords, routine verification procedures and authorisation levels review in a timely manner and remove the access for users that were no longer need the function.	Expiry dates on users set up are now being used. User access is now being reviewed on a regular basis.	31/7/15	Senior Accountant	Complete



INFORMATION REPORT

REPORT TITLE: INTERNAL AUDIT – REBATES OF RATES

ITEM NUMBER: 25

DATE OF MEETING: 1 MARCH 2016

AUTHOR: REBECCA WILSON

JOB TITLE: GROUP MANAGER GOVERNANCE AND RISK

EXECUTIVE SUMMARY

To provide the Audit and Governance Committee with the final internal audit report including observations and recommendations on Rebates of Rates as undertaken by Bentley's October 2015.

RECOMMENDATION

MOVED: SECONDED:

That:

1. The report and attachments be received.

RELEVANT CORE STRATEGIES/POLICIES

O5.3 Good governance and legislative framework

DISCUSSION

As per the Internal Audit Project Plan presented to the Audit and Governance Committee at the meeting of 24 February 2015, one of the areas identified to be reviewed as part of the internal audit was Rebates of Rates.

The Rebates of Rates internal audit commenced 7 September 2015 and was concluded on 14 September 2015. The overall objective of the audit was to review the system of internal controls and management processes, providing reasonable assurance that adequate management controls exist to mitigate risk and maximise opportunity and that Council complies with the *Local Government Act 1999* Section 49. Further details of the objectives and audit scope, and approach are outlined in the attached report.

There were key findings that management has noted and responded to and which are captured in the Agreed Action Plan contained at Appendix 1 of the report. Overall Bentleys reported there were two moderate and three risk rating findings that they recommend Council considers are addressed.

Appendix 1

The process improvements identified relate to the policy being incomplete as it only addressed discretionary rate rebates and was also overdue for review. The Management response noted that the Rate Rebate Policy was proposed to be presented at the first meeting of 2016. The policy has been reviewed by the Senior Rates Coordinator and a draft prepared for review by the Manager Finance and Group Manager Governance. This will be presented to the May 2016 meeting of the Audit and Governance committee for their recommendation to Council for endorsement.

Management responses for the other findings are contained in the attached report and summarised below:

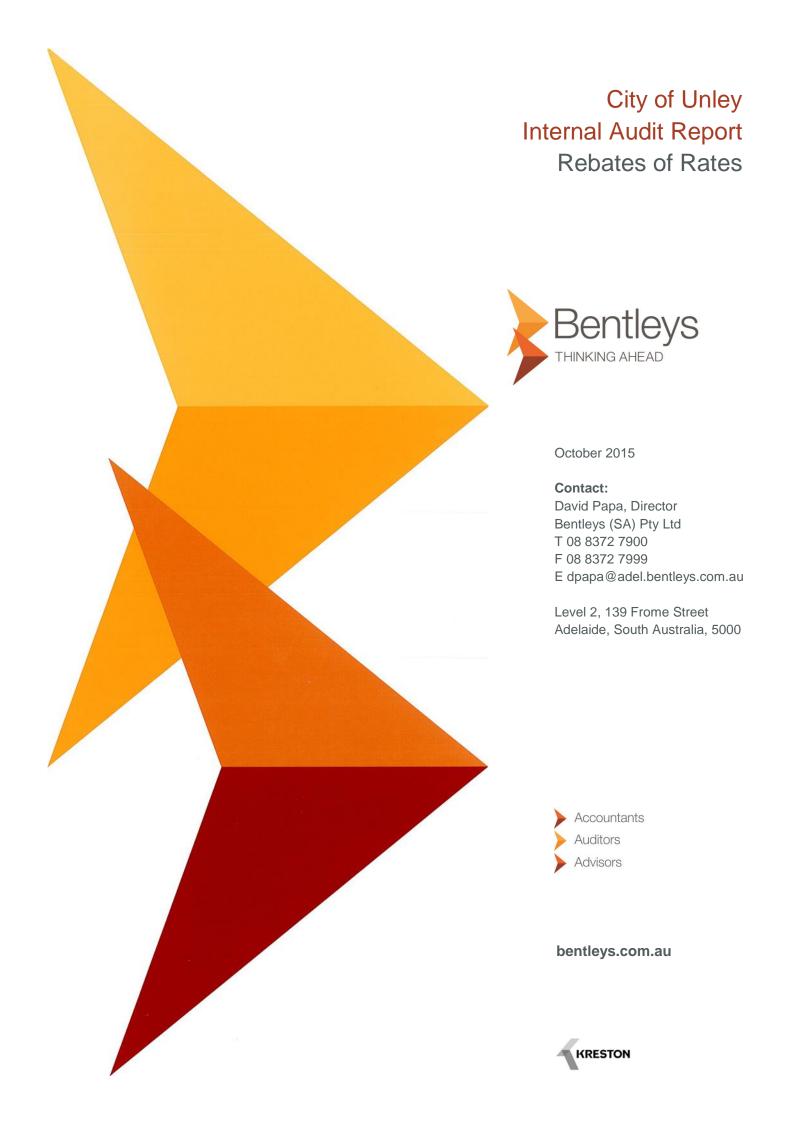
Finding	Description of findings	Progress
1	Policy incomplete and due for review	In progress
2	Rate rebates application form not up to date	Complete
3	No evidence of delegated approval	Complete
4	Missing discretionary rate rebates supporting document	Complete
5	Integrity of rate rebates calculation and journal entry	Complete

The Rebates of Rates internal audit was conducted in a very timely manner and was thorough with no significant interruption to the business. The next internal audit was for Strategic Planning alignment which commenced in November 2015. This has currently been delayed pending the organisation restructure.

A meeting held on 15 February 2016 with Bentleys resolved a revised Audit Plan for 2016. A copy will be distributed to the Audit and Governance Committee members when finalised.

ATTACHMENTS

1. Rebates of Rates internal audit report



Private & Confidential

To: Stephen Faulkner,

General Manager, People and Governance

Copy: Audit Committee

Internal Audit Report Rebate of Rates

We have completed our review on the sufficiency of rebates of rates for the City of Unley. Please find attached our report containing details of our assessment and recommendations. The report also contains a description of the scope of work and our approach.

An Executive Summary is provided for consideration by the Audit Committee.

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Inherent Limitations

Due to the inherent limitations of any internal control structure, it is possible that fraud, error or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the control procedures that have been subject to this review operate, has not been reviewed in its entirety and, therefore, no opinion or view is expressed as to its effectiveness of the greater internal control structure. This review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed on the control procedures are on a sample basis. Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

We believe that the statements made in this report are accurate, but no warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by City of Unley management and personnel. We have indicated within this report the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within the report. We are under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form unless specifically agreed. The findings expressed in this report have been formed on the above basis.

Third Party Reliance

This report is solely for the purpose set out in the Official Order and for City of Unley information, and is not to be used for any other purpose or distributed to any other party without Bentleys (SA) Pty Ltd's prior consent.

This summary report has been prepared at the request of City of Unley management or its delegate. Other than our responsibility to the management of the City of Unley, neither Bentleys (SA) Pty Ltd nor any member or employee of Bentleys (SA) Pty Ltd undertakes responsibility arising in any way from reliance placed by a third party, including but not limited to City of Unley external advisors, on this summary report. Any reliance placed is that party's sole responsibility. Liability limited by a scheme approved under Professional Standards Legislation.





EXECUTIVE SUMMARY

BACKGROUND

The City of Unley (CoU) Council has engaged Bentleys SA Pty Ltd to conduct an internal audit project – rebates of rates review in September 2015.

This report outlines findings and recommendations in respect of the rebates of rates process.

AUDIT OBJECTIVES

The overall objective of the audit was to review the system of internal controls and management processes providing reasonable assurance that adequate management controls exist to mitigate risk and maximise opportunity.

The specific objectives of the audit were to:

- Review and assess the controls over existing processes for rebates of rates, including mandatory and discretionary rebates
- Perform testing on a sample basis to ensure adequacy and effectiveness of key controls
- Assess whether policies, procedures and relevant legislation have been complied with and adhered to

Governance objectives, where relevant, were considered and included an assessment of whether governance processes were in place, including:

- Defined roles and responsibilities
- Segregation of duties
- Appropriate levels of delegated authority
- Monitoring and reporting of abnormal activity
- Records management and documented audit trails

AUDIT SCOPE AND APPROACH

The scope included the rebates of rates activities between July 2014 and August 2015. In performing this project, we undertook the following:

- Review of current and planned policies, procedures, guidelines, directives related to both mandatory and discretionary rate rebates
- Test rights and authorities to issue rebates
- Test a representative sample of transactions for compliance with policies and procedures
- Review of reporting mechanisms and exception reporting



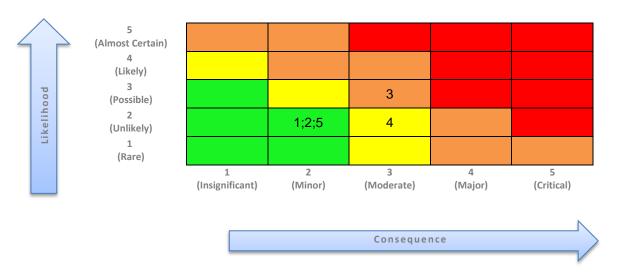
GOOD PRACTICES OBSERVED

Throughout this review we compared the Council processes to our knowledge and understanding of Local Government Association guidance and good business practice. The following good practices were observed during the review:

- Roles and responsibilities are defined in the personal job descriptions and policies
- Adequate segregation of duties exists and is being applied
- Sufficient supporting document are recorded for mandatory rebate applications

RISK ASSESSMENT

Provided below is an audit assessment of the risk (based on the City of Unley risk framework) in respect of the process reviewed, having regarding to the issues identified by the audit.



The key risks identified during the audit include:

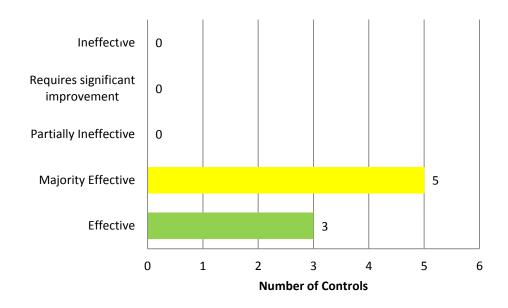
- Non compliance with government / departmental policies and directives;
- Non compliance with legislation;
- Rate rebates are either inaccurately recorded or not recorded at all;
- Rebate supporting document does not remain pertinent;
- Loss of rates income
- Fraud or error

The control effectiveness assessment below is an indicator of the current state of the control environment within business operations and its ability to mitigate against these risk exposures.

Given City of Unley does not have its control effective ratings in the risk management policy, we adopted the definitions of control effectiveness ratings from the Better Practice Model – Internal Financial Control developed by the South Australian Local Government Financial Management Group Inc (SALGFMG).



CONTROL EFFECTIVENESS GRAPH



KEY FINDINGS AND OBSERVATIONS

A summary of the risk rated findings are provided below.

Ref	Description of findings	Risk Rating
1	Policy incomplete and due for review	Low
2	Rate rebates application form not up-to-date	Low
3	No evidence of delegated approval	High
4	Missing discretionary rate rebates supporting document	Moderate
5	Integrity of rate rebates calculation and journal entry	Low

Refer to Agreed Action Plan (Appendix 1) for detailed information.

Each key finding is rated based on the impact to the process considered. Refer to Risk Framework (Appendix 3) for detailed information.

ACKNOWLEDGEMENT

We appreciate the assistance and cooperation received from management and staff of City of Unley in completing this review.



APPENDIX 1

DETAILED FINDINGS AND AGREED ACTION PLAN

		Impact:	Minor	
Finding 1	Policy incomplete and due for review	Likelihood:	Unlikely	
		Risk Rating:	Low	

Findings:

Our review found that the current Rebate of Rates policy only contains discretionary rate rebates and is due for review.

In the discretionary rebate of rates policy:

- The content of Local Government Act 1999 Section 166 (1)(I) to (1)(o) are not included
- Clause 3(a)(ix) should refer to the Aged Care Act 1997 (Cth) instead of the Aged Care Act 1987 (Cth)

Risk:

Use of the incomplete and inaccurate policy and procedure as guidance could increase the risk of noncompliance with Local Government Act 1999.

Bentleys Recommendation:

We recommend management complete the Rebate of Rates policy by including mandatory rebates of rates, adding the content of Local Government Act 1999 Section 166 (1)(I) to (1)(o) and referring to the correct Aged Care Act 1997 (Cth).

This should provide detail and clarity over rates rebate process, with the objective of maximising opportunity and reducing risk of achieving the desired result for the Council.

Management Response:

Council is in the processing of reviewing and updating the Rate Rebate Policy. Consideration will be given to the inclusion of mandatory rate rebates and a more appropriate method of covering off appropriate legislation references to ensure they remain current. It is proposed to complete this by December 2015 in order for it to be presented to the Audit and Governance Committee at the first meeting for 2016.

Responsible Officer: Target Date:



		Impact:	Minor
Finding 2	Rate rebates application form not up-to-date	Likelihood:	Unlikely
		Risk Rating:	Low

Findings:

Our review found that the rate rebate application form was not up-to-date as a result of incomplete rates rebate policy. It does not include the content of Local Government Act 1999 Section 166(1)(I) – (1)(o). It should also refer to the Aged Care Act 1997 (Cth) instead of the Aged Care Act 1987 (Cth).

Risk:

Use of the incomplete and inaccurate application form could increase the risk of noncompliance with Local Government Act 1999.

Bentleys Recommendation:

We recommend management complete the rate rebate application form by including the missing content of the Act and refer to the correct Aged Care Act 1997 (Cth).

Management Response:

Completed. Council has updated the rate rebate application accordingly.

Responsible Officer: Target Date:

		Impact:	Moderate
Finding 3	No evidence of delegated approval	Likelihood:	Possible
		Risk Rating:	High

Findings:

Our review found that there was no approval form used for the applications submitted prior to 2015/16. Therefore, no authorised approval evidence was kept by the Council.

From 2015/16, Council started to use a Rate Rebate Approval Form to check the completeness of supporting document and approve the application under appropriate delegation of authority. All applications in 2015/16 were in progress during our review.

As a result of above, we were unable to test whether or not the approval is within appropriate delegation of authority.

Risk:

Lack of delegated approval to the rates rebate could increase the risk of:

- noncompliance with Local Government Act 1999
- loss of rates income
- fraud or error





Bentleys Recommendation:

We recommend management use Rate Rebate Approval Form to approve and grant the applications, pursuant to Section 44 of the Act.

Management Response:

Currently, the assessment of Council applications is delegated to the General Manager Corporate Service, Manager Finance & ICT or the Senior Rates Coordinator. From this financial year Council has implemented for both approved and declined rate rebates, a form authorised by both the senior rates coordinator and the finance manager.

Responsible Officer:

Target Date:

Finding 4

Missing discretionary rate rebates supporting document

Impact: Likelihood: Risk Rating: Moderate Unlikely Moderate

Findings:

Our review found that there were a total of 137 individual assessments in 2014/15 with 1 that has a discretionary rebate only and 3 that have both a mandatory and discretionary rebate.

One application that has a discretionary rebate was applied in 2009/10. The application form is available but no supporting documentation. The discretionary rebate of rates in 2014/15 was \$1,769.

Three applications that have both a mandatory and discretionary rebate were applied before 2003/04. These applications did not contain the application form or the supporting documentation. The total related discretionary rebates of rates in 2014/15 were \$1,710.

According to the Act Section 166 – Discretionary rebates of rates (3) and (3a), a rebate of rates or charges under subsection (1)(a), (b) or (k) may be granted for a period exceeding one year, but not exceeding 10 years, a rebate of rates or charges under subsection (1)(I) may be granted for a period exceeding one year, but not exceeding three years.

As we were unable to obtain the application form for the three applications applied before 2003/04. These applications could be obsolete under subsection (1)(a), (b), (k) or subsection (1)(l).

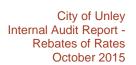
Risk:

No supporting document recorded for discretionary rates rebate applications could increase the risk of:

- noncompliance with Local Government Act 1999.
- failing to capture and store records
- loss of rates income

Bentleys Recommendation:

We recommend that management review these four applications and request further supporting document from the applicants to meet the requirement of the Act and any potential loss of rates income.





Management Response:

Completed. Council was aware of these assessments and has written to them earlier this financial year requesting a completion of a new rate rebate application form and all supporting documentation. Under Council's updated procedures all rate rebates will be regularly reviewed with a letter to go to all rate rebates to ensure that they remain eligible.

Responsible Officer: Target Date:

Finding 5 Integrity of rate rebates calculation and journal entry Impact:

Likelihood:

Risk Rating:

Low

Findings:

Council uses Pathway to record rebate data. The system automatically calculates the rebate based on the rate, rebate percentage and land capital value.

Our review found that the data was exported at the end of financial year and reclassified in a spreadsheet to calculate the rebates under each category. A journal entry is then created according to the calculation to post into the general ledger. However, we found that the calculation did not take into consideration of the minimum rate and the portion rebate for the land sold during the year. There is also no independent review of this calculation.

As a result of above, a total amount of \$6,340.86 was understated for 2014/15 rates rebate.

Risk:

Not relying on the system control and a lack of independent review increases the risk of:

- noncompliance with Local Government Act 1999
- misstatement of financial data

Bentleys Recommendation:

We recommend that management adjust the understated rebate amount for 2014/15 and rely on the system control of the data in Pathway (tested periodically) to creat journal entry in the future. Any adjustment to the system data should be independently reviewed.

Management Response:

Financial transaction entries for rate rebates are produced automatically by the Pathway system and interfaced to the general ledger. The process outlined in the findings related to a reallocation of rate rebates to specific rebate accounts to assist in comparison of the various rate rebates in future years.

Responsible Officer: Target Date:



APPENDIX 2

DOCUMENTS ACCESSED AND CONSULTATION

Documents provided by City of Unley and accessed include:

- Discretionary Rate Rebates Policy
- Rate Rebates Application Form
- Rate Rebates Approval Form
- Rebates Review Worksheet (2014/15 and 2015/16)

We would like to extend our appreciation to the following individuals who participated in, and provided information during this internal audit review.

- Mike Carey, Manager Finance & ICT
- Kylie Sunners, Senior Rates Coordinator

APPENDIX 3

RISK RATINGS

The following framework for Assurance ratings was developed to prioritise findings according to their relative significance depending on their impact to the process.

	Consequences							
Likelihood	Insignificant 1	Minor 2	Moderate 3	Major 4	Critical 5			
A (Almost Certain)	High	High	Extreme	Extreme	Extreme			
B (Likely)	Moderate	High	High	Extreme	Extreme			
C (Possible)	Low	Moderate	High	Extreme	Extreme			
D (Unlikely)	Low	Low	Moderate	High	Extreme			
E (Rare)	Low	Low	Moderate	High	High			

Measures of Likelihood

The likelihood of a risk eventuating must be identified in the context of existing controls using the following as a reference:

Level	Descriptor	Example detail description
А	Almost certain	Is expected to occur in most circumstances (i.e. Risk Occurrence < 1 year)
В	Likely	Will probably occur in most circumstances (i.e. Risk Occurrence between 1 and 2 years)
С	Possible	Might occur at some time (i.e. Risk Occurrence between 2 and 5 years)
D	Unlikely	Could occur at some time (i.e. Risk Occurrence between 5 and 20 years)
E	Rare	May occur only in exceptional circumstances (i.e. Risk Occurrence > 20 years)

Measures of Consequence or Impact

Where a risk has implications across a number of areas of impact, the highest rating should be used to determine the overall level of risk. However each identified risk should be assessed from a mitigation / action.





		,	Area of Conseque	sequence / Impact		
Rating	Political/Social/ Environmental	Economic / Financial	Legal / Regulatory	Organisational Management / Human Factors	Customer Service / Business Continuity	
1 Insignificant	Negligible environment, conservation, political or community issue.	No budget impact	Minor encroachment on legislation / standard	Diversion of staff from normal operations / activities	Inconvenience / alteration to level of service	
2 Minor	Minor short-term environment, conservation, political or community issue.	<5% of budget / project.	Minor legal, regulatory or internal policy failure.	Unexpected/unplanned loss of a staff member. Minor injury.	Minor interruption to service provision capability	
3 Moderate	Environment, conservation, political or community incident requiring City intervention.	5% - 14% of budget / project.	Limited legal, regulatory or internal policy failure.	Unexpected/unplanned loss of a senior staff member. Lost time injury.	Limited disruption to service provision capability requiring altered operational arrangements.	
4 Major	Medium-term issue with major environment, conservation, political or community impact.	15% - 24% of budget / project.	Major legal, regulatory or internal policy failure.	 Unexpected/unplanned loss of a key manager/senior staff member considered to be a key dependency. Significant injury to staff/dangerous near miss. 	Significant impairment of service provision capability.	
5 Critical	Long-term issue with major environment, conservation, political or community impact.	>25% of budget / project.	Critical legal, regulatory or internal policy failure.	Unexpected/unplanned loss of several key managers/ senior staff members. Death /serious injury to staff.	Total loss of service provision capability.	



INFORMATION REPORT

REPORT TITLE: FUTURE ASSET REVALUATION SCHEUDLE

ITEM NUMBER: 26

DATE OF MEETING: 1 MARCH 2016 **AUTHOR:** MIKE CAREY

JOB TITLE: MANAGER FINANCE

EXECUTIVE SUMMARY

To provide the Audit and Governance Committee with details of the proposed asset revaluation schedule.

RECOMMENDATION

MOVED:

SECONDED:

That:

The report and attachments be received.

DISCUSSION

Council is required by Australian Accounting Standards (AASB 116 Property, Plant and Equipment) to revalue its assets when there are changes in fair values of the assets.

AASB 13 Fair Value Measurement applied to accounting periods commencing on or after 1 January 2013. The objective is to measure assets (and liabilities) at a value which would take place between *market participants* under current market conditions.

As detailed in the Asset Revaluation Schedule it is proposed to revalue the following classes for 2015-2016:

Recycled Water.

ATTACHMENTS

1. Asset Revaluation Schedule

Asset Revaluation Schedule - February 2016

Asset Category	Asset Class	Date of Most Recent Revaluation	Type of Revaluation Performed	Performed By	Proposed Date of Next Revaluation	Type of Revaluation to be Performed	To Be Performed By	Ongoing Frequency	Impairment Testing & Review of Unit Rates
Land & Buildings	Land	1/07/2013	Condition	Maloney Field Services	30/06/2018	Condition	External	5 years	NA
	Buildings	1/07/2013	Condition	Maloney Field Services	30/06/2018	Condition	External	3 - 5 years	NA
Roads, Lanes, Kerbs & Water-table	Roads	1/07/2014	Condition	Fugro (Pavement Management Services)	30/06/2017	Condition	External	3 - 5 years	Yearly
	Kerb & Water-table	1/07/2014	Condition	Fugro (Pavement Management Services)	30/06/2017	Condition	External	3 - 5 years	Yearly
Pathways	Footpaths	1/07/2014	Condition	IMG	1/07/2017	Condition	External	3 - 5 years	Yearly
	Car Parks	1/07/2014	Desktop	IMG	1/07/2017	Condition	External	3 - 5 years	Yearly
	Bike Paths	1/07/2014	Desktop	IMG	1/07/2017	Condition	External	3 - 5 years	Yearly
Drainage	Drainage	30/06/2014	Desktop	Tonkins	30/06/2017	Condition	External	3 - 5 years	Yearly
Traffic & Lighting	Traffic Control	30/06/2015	Condition	Internal	30/06/2020	Condition	Internal	3 - 5 years	Yearly
	Street Lighting	30/06/2015	Condition	Internal	30/06/2020	Condition	Internal	3 - 5 years	Yearly
	Bus Stops	30/06/2015	Condition	Internal	30/06/2020	Condition	Internal	3 - 5 years	Yearly
Bridges	Bridges	30/06/2014	Desktop	Tonkins	30/06/2017	Condition	External	3 - 5 years	Yearly
Other Assets	Open Space	1/07/2013	Condition	Internal	1/07/2016	Condition	Internal	3 - 5 years	Yearly
Recycled Water	Recycled Water	New Assets	Condition	No revaluation as yet, majority of assets capitalised 30/06/12	1/07/2015	Condition	External	3 - 5 years	Yearly
Equipment, Furniture & Fittings	Minor Equipment	NA	NA	NA	NA	NA	NA	NA	NA
	Workshop Minor Equipment	NA	NA	NA	NA	NA	NA	NA	NA
	Major Equipment	NA	NA	NA	NA	NA	NA	NA	NA
	Fleet	NA	NA	NA	NA	NA	NA	NA	NA
	Office Equipment	NA	NA	NA	NA	NA	NA	NA	NA
	IT Equipment	NA	NA	NA	NA	NA	NA	NA	NA
	Furniture & Fittings	NA	NA	NA	NA	NA	NA	NA	NA

DECISION REPORT

REPORT TITLE: 2015-16 EXTERNAL AUDIT PLAN AND

CERTIFICATION OF THE ANNUAL FINANCIAL

STATEMENTS

ITEM NUMBER: 27

DATE OF MEETING: 1 MARCH 2016 **AUTHOR** MICHAEL CAREY

JOB TITLE: MANAGER FINANCE

EXECUTIVE SUMMARY

Council's External Auditors, BDO have provided their Annual Audit Plan and timetable for the 2015-16 Audit. The Plan is consistent with the scope of the External Audit engagement, relevant legislation, and the timetable allows the Annual Financial Statements to be tabled at the October 2016 Council meeting. This will ensure that Council will meet its legislative requirements for distribution to the Minister and the Local Government Grants Commission.

In addition, this report seeks endorsement of the Annual Audited Financial Statements certification by the Chief Executive Officer and the Principal Member of the council, namely the Mayor in accord with legislative requirements.

RECOMMENDATION

MOVED: SECONDED:

That:

- 1. The report and attachments be received.
- 2. The Audit and Governance Committee recommends to Council that:
 - 2.1 The Annual Audit Plan (Attachment 1 to Item 27) confirms consistency with the scope of the External Audit engagement and relevant legislation.
 - 2.2 The Financial Statements including the Audit Report for the year ended 30 June 2016 be presented to Council no later than 31 October 2016.

2.3 Authorisation be given to the Mayor and the Chief Executive Officer to sign the certification of the statements in their final form once the annual audited financial statements have been completed.

RELEVANT CORE STRATEGIES/POLICIES

- Local Government Act 1999 Section 129
- Local Government (Financial Management) Regulations 2011 Regulation 14 and 19
- Organisational Strategy/Goal
 - 5.3 Good Governance and Legislative Framework

DISCUSSION

External Audit

The objective and scope of the audit and the audit obligations are established by the Local Government Act and Regulations. Specifically, the conduct of the annual audit is set out in Section 129 of the Local Government Act.

The purpose of the External Audit is primarily to enable the External Auditor to express an opinion on the veracity of the Annual Financial Statements and associated controls. It is standard practice of the External Auditor to plan and organise the external audit in conjunction with the Audit Committee and management noting the need to maintain auditor independence.

The Annual Audit Plan from BDO includes a provisional timetable setting out the key dates to ensure that the end of year reporting process is completed in a timely and efficient manner.

Attachment 1

BDO propose to carry out their interim audit visit in May 2016. The final audit concentrating on the Corporation's Balance Sheet and draft financial statements will be carried out during September 2016.

Audit and Governance Committee Responsibilities

The Audit and Governance Committee Terms of Reference provide that the committee shall review and make recommendations to Council on the scope of work, reports and activities of the External Auditor, including interaction with any internal audit projects.

There is a further requirement under the Local Government Act Section 126 (4) for the Audit and Governance Committee to review the annual financial statements for the Corporation to ensure that they present fairly the state of affairs of the Council.

In addition, the Audit and Governance Committee's Terms of Reference require that they meet with the External Auditor at least once a year to discuss their remit and any issues arising from the External Audit.

In line with the proposed audit timetable, it is considered that the meeting schedule for Tuesday, 12 October 2016 to receive the Auditors Report is the appropriate forum for this to occur.

The External Auditors are also required to provide a report on particular matters arising from the audit including managements' comments on those issues, where applicable. It is proposed that this report will also be provided to the Audit and Governance Committee for consideration at this meeting.

Subject to any outstanding issues in relation to the Audit being resolved on a timely basis, it is proposed to sign the Annual Financial Statements after the Audit and Governance Committee meeting on 12 October 2016.

This will result in the presentation to Council of the Financial Statements at the meeting of Council scheduled for 24 October 2016.

Certification of the annual Audited Financial Statements

In addition, Council is required, pursuant to Regulation 14 of the Local Government (Financial Management) Regulations 2011 to authorise the Principal Member of the Council (Mayor) and the Chief Executive Officer to certify the annual audited financial statements, in their final form.

However, it is also noted under Regulation 14 that a Council's financial statements certification <u>must</u> be signed by the Chief Executive Officer and the Principal Member of the council, namely the Mayor.

The regulations require the Mayor and the Chief Executive Officer to certify the following statements:

- the accompanying financial statements comply with relevant legislation and Australian Accounting Standards
- the financial statements present a true and fair view of the Council's financial position; and the results of its operations; and cash flows for the financial year
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year
- the financial statements accurately reflect the Council's accounting and other records.

The 'Certification of Financial Statements' forms part of the Annual Audited Financial Statements.

ANALYSIS OF OPTIONS

Option 1 – The Audit and Governance Committee recommends that the Council endorse the recommendation.

This option enables the auditor and administration to proceed with audit activity as outlined in the Plan.

Option 2 – The Audit and Governance Committee recommends that the Council endorse the recommendation with amendments.

The Audit and Governance Committee may wish to amend the audit plan following discussions with administration and the external auditor.

RECOMMENDED OPTION

Option 1 is the recommended option.

Certification of Financial Statements is a requirement under the Local Government (Financial Management) Regulations 2011. Option 1 will ensure that Council meets it legislative requirements under the Local Government (Financial Management) Regulations 2011.

ATTACHMENTS

1. BDO Annual Audit Plan Year ended 30 June 2016.







Executive summary Audit objectives and approach Risks of material misstatement Engagement team **Appendices** Other communications **Timetable New developments**

KEY CONTACTS



Geoff Edwards Engagement Partner Tel: +61 8 7324 6061 geoff.edwards@bdo.com.au



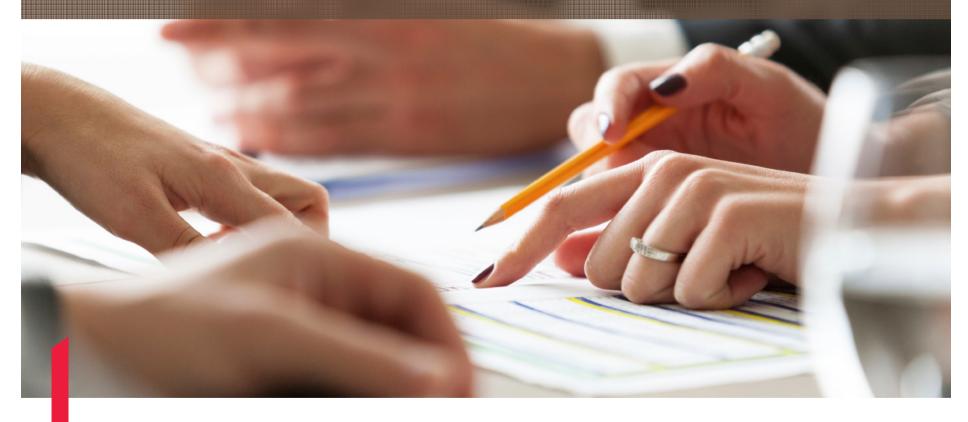
Sam Hilbink Engagement Manager Tel: +61 8 7324 6083 sam.hilbink@bdo.com.au



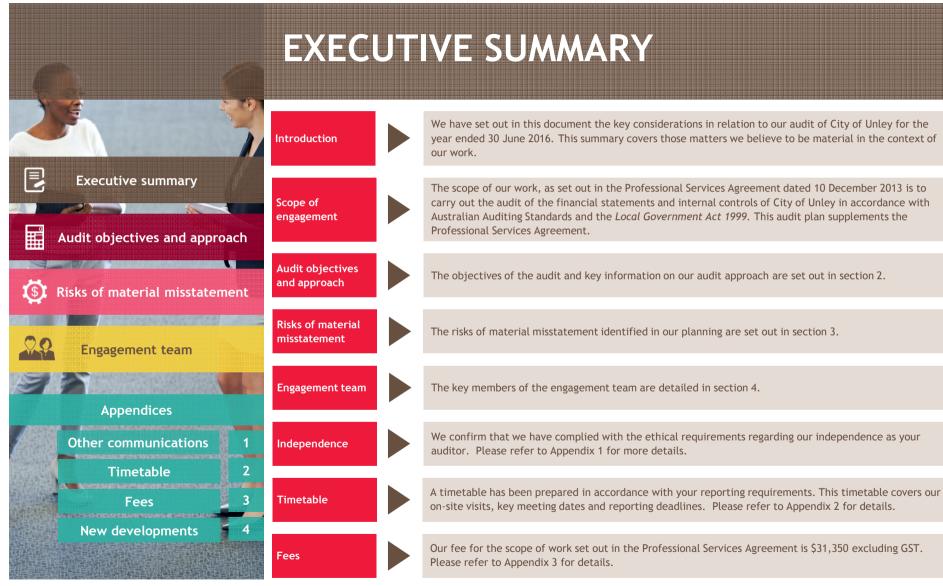










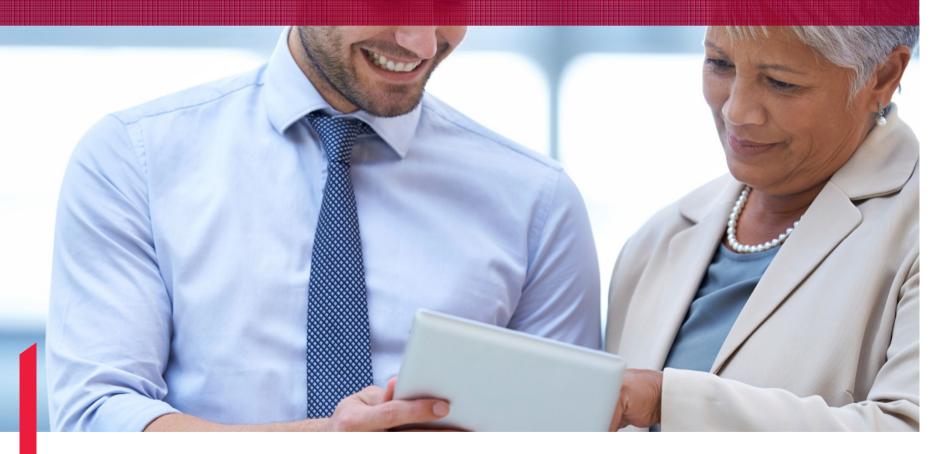








BAUDIT OBJECTIVES AND APPROACH





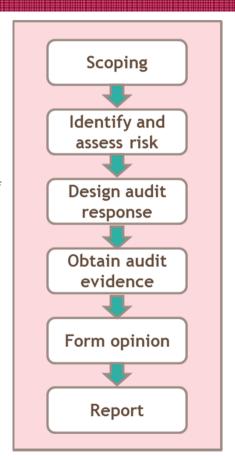
Executive summary Audit objectives and approach Risks of material misstatement **Engagement team Appendices** Other communications Timetable **New developments**

AUDIT OBJECTIVES AND APPROACH

Audit objectives

The objective of the audit is to enable us to express an opinion as to whether:

- The financial report is prepared, in all material respects, in accordance with Australian Accounting Standards and the the Local Government Act 1999, and
- Controls exercised by the council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law based on criteria established in the Better Practice Model - Financial Internal Control for South Australian Councils issued by the Local Government Association of South Australia







AUDIT OBJECTIVES AND APPROACH

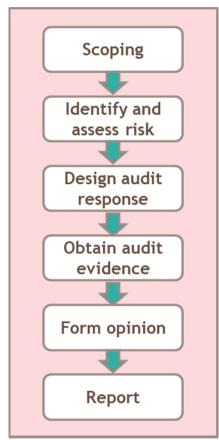
Our approach

Our audit is performed in accordance with the BDO Audit Approach which consists of six phases and is documented using our global audit tool, APT.

The approach is centred around:

- Obtaining an understanding of the business being audited from an internal and external point of view
- Assessing the risk of material misstatements and the controls in place to address and prevent these risks
- Choosing appropriate procedures to obtain evidence, including the use of data analytics where appropriate
- Ensuring rigorous quality control over audit performance
- Providing constructive ideas for improving internal controls and business systems.

Other key aspects of the approach are set out on subsequent pages.





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AUDIT OBJECTIVES AND APPROACH

Audit quality and professional scepticism

To support and promote audit quality at BDO, we have developed an Audit Quality Framework (AQF) that sets out the key drivers of audit quality, including the specific attributes that are important for audit quality to be maintained and enhanced. Refer to our <u>Transparency report</u> for further information.

The AQF recognises that professional scepticism is essential to obtain audit evidence which is sufficient and appropriate to reduce the likelihood of a material misstatement to an acceptable level.

Professional scepticism is defined in the auditing standards as 'an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.'

The application of professional scepticism by all members of the engagement team is central to BDO's Audit Approach.

Materiality

Materiality means, in the context of an audit, if financial information is omitted, misstated or not disclosed it has the potential to (adversely) affect the decisions of users of the financial report.

Materiality is used by auditors in making judgements on the amount of work to be performed, which balances require work and for evaluating the effect of misstatements. Materiality is initially calculated at the planning stage and re assessed prior to providing our opinion. Materiality is not only based on a numeric quantification but is assessed qualitatively for some balances and disclosures.





AUDIT OBJECTIVES AND APPROACH

Materiality (continued)

During the course of our audit we may identify misstatements and these will be reported to you at the conclusion of our work based on our assessment of materiality at that stage (this may have been updated from the materiality calculated at the planning stage). It should be noted that the auditing standards do not require us to communicate misstatements that are considered 'clearly trivial' and as such, if we identify such misstatements we will not communicate these to you.

We consider materiality for the purposes of our audit of controls in the context of quantitative and qualitative factors, such as relative magnitude of instances of detected or suspected non compliance, the nature and extent of the effect of these factors on the evaluation of compliance with the requirements as measured by the suitable criteria, and the interests of the intended users. The assessment of materiality and the relative importance of quantitative and qualitative factors in a particular engagement are matters for the assurance practitioner's professional judgement

Fraud

During the course of our audit we make enquiries of those charged with governance, management and others to identify any known instances of fraud. We also make enquiries to understand where you consider the risks are in relation to fraud and if you have any knowledge of actual or suspected fraud. This also includes considering the risk of management override of controls. It should be noted that our audit is not designed to detect fraud however, should instances of fraud come to our attention, we will report them to you.



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AUDIT OBJECTIVES AND APPROACH

Laws and regulations

We make enquiries in relation to any non-compliance with laws and regulations impacting the period under audit. Should we become aware of any instances of non-compliance with laws and regulations which would materially impact on the financial position or performance of the entity, then we will report them to you on a timely basis to consider the impact on the financial report.

Confirmations

In accordance with auditing standards we will be sending the following confirmation requests:

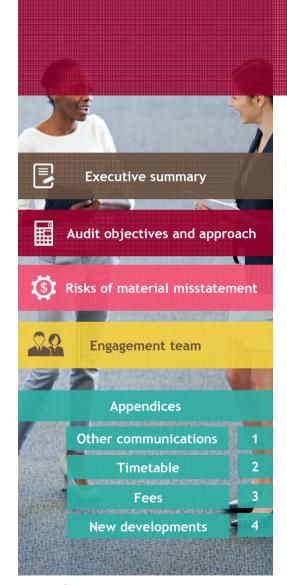
- · Bank confirmations
- LGFA confirmation
- · Solicitor's representation letter.

Internal audit

The City of Unley is in the process of implementing an internal audit plan, involving the use of a third party consultant. While the objective of the internal audit function and the external auditor are different, some of the ways in which the internal audit function and the external auditor achieve their respective objectives may be similar.

Where internal audit relates to financial reporting or internal controls we may use this work to modify the nature or timing, or reduce the extent, of the audit procedures that we perform.





AUDIT OBJECTIVES AND APPROACH

Internal audit (continued)

Where we determine that the internal audit function is likely to be relevant to our audit we will:

- Determine whether, and to what extent, we are able to use specific work of the internal auditor,
 and
- If using the specific work of the internal auditors, determine whether that work is adequate for the purposes of our audit.

In connection with this, at our interim audit visit we will review the draft audit plan provided by Bentleys, and any of their completed internal audit reports.

We note that irrespective of the degree of autonomy and objectivity of the internal audit function, such function is not independent of the entity as is required of the external auditor when expressing an opinion on the financial report. The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor's use of the work of the internal auditors





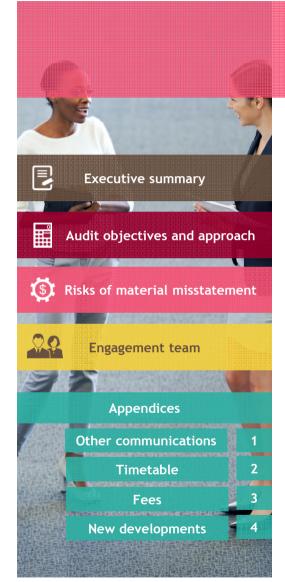




RISKS OF MATERIAL MISSTATEMENT







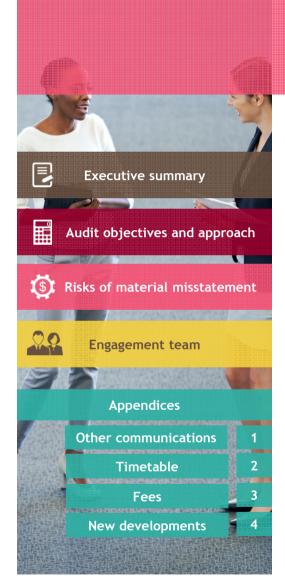
RISKS OF MATERIAL MISSTATEMENT

In line with our audit approach, and based on our understanding of City of Unley, we will identify and assess the risks of material misstatement at both the engagement and assertion level.

Our audit procedures are focused on areas that are considered to represent risks of material misstatement to the financial report. We will identify the risk areas as part of our risk assessment procedures during the planning phase and will continue to be alert for risks during the course of the audit. Based on our previous year's audits the following matters may be considered as risks:

- Cut off of grant funding and accuracy of any amounts deferred at 30 June 2016
- · Accounting for and valuation of any resources received free of charge
- · Revaluation and useful lives of Infrastructure, Land and Buildings
- Accounting treatment and disclosure of amounts relating to Council's interest in Centennial Park Cemetery Authority, including any changes occurring during the year
- Brown Hill Keswick Creek Stormwater Project project status, treatment of associated costs, and whether a regional subsidiary has been established by 30 June 2016
- · Accounting treatment of items captured within Capital WIP





RISKS OF MATERIAL MISSTATEMENT

Other risks

The Australian Accounting Standards Board recently clarified that "residual value" for the purposes of calculating asset valuations and depreciation does not include cost savings from the re-use of parts of that asset by the entity in the future. This may impact assumptions and estimates made by management in relation to depreciation and fair values.

This is an area that will attract additional audit focus for the year ending 30 June 2016. Management should perform an assessment of the impact of this decision and determine whether any adjustments to fair values and/or depreciation is required.

The CPA has released a 'Guide to Valuation and Depreciation for Public and Not-for -profit Sectors Under AASB Accounting Standards' which is available via www.cpaaustralia.com.au and is a good reference in relation to valuing assets in the public sector

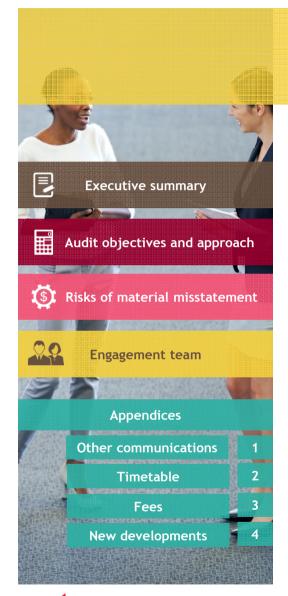












ENGAGEMENT TEAM

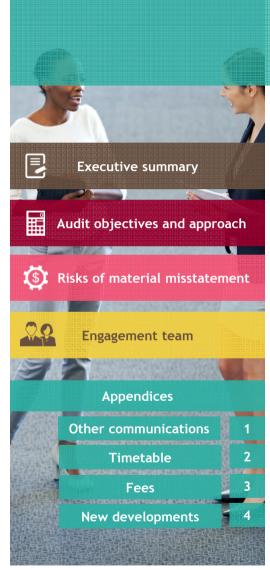
The following staff members have been assigned to your engagement team. Any changes to key members of the engagement team will be communicated to you on a timely basis.

Role	Name	Telephone	Email address
Engagement partner	Geoff Edwards	08 7324 6061	geoff.edwards@bdo.com.au
Engagement manager	Sam Hilbink	08 7324 6083	sam.hilbink@bdo.com.au
Auditor in charge	Chelsea Aplin	08 7324 6097	chelsea.aplin@bdo.com.au









Other communications

Ethics and independence

In conducting our audit, we are required to comply with the independence requirements of the *Corporations Act 2001* and s290 of APES 110 *Code of Ethics for Professional Accountants*.

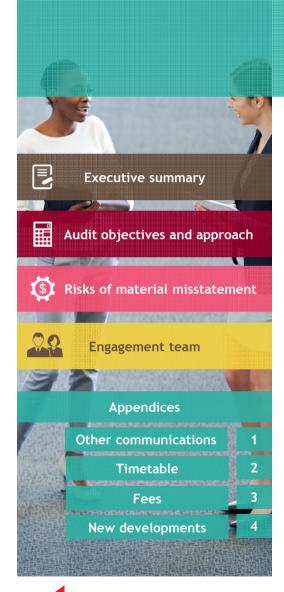
We obtain independence declarations from all staff engaged in the audit. We also have policies and procedures in place to identify any threats to our independence, and to appropriately deal with and if relevant mitigate those risks.

Should any independence matters be raised, we will bring them to your immediate attention.

For the comfort of those charged with governance, we note that the following processes assist in maintaining our independence:

- Restrictions on BDO employees having financial interests in audit clients
- No other work is permitted to be undertaken by any BDO division or office without the express approval of the engagement director/partner
- Services including valuation and similar services are specifically prohibited to be provided by any other BDO office to you
- All services performed by any BDO division or office have been reported below.





Ethics and independence (continued)

BDO has not provided any other services during the year to City of Unley.

Communications with those charged with governance

City of Unley has an Audit and Governance Committee. It is usual practice for the auditor to liaise with the Audit and Governance Committee. All our reporting will be to Chairman of Audit and Governance Committee.

To enhance our communication and to reduce any potential expectation gaps with clients, BDO has adopted a structured reporting system. We will communicate with Audit and Governance Committee and management via:

- · This audit plan
- Management letter after each audit visit
- · An audit completion report at the conclusion of the audit
- The audit reports.



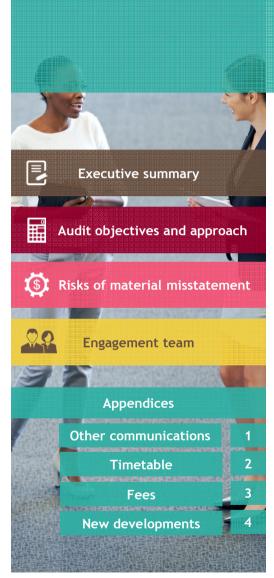


Communications with those charged with governance (continued)

Communications will include the following matters:

- · Our response to identified risks of material misstatement
- · Expected modifications to the audit reports
- Corrected and uncorrected misstatements
- Significant deficiencies in internal control and any other deficiencies identified that in our judgement are of sufficient importance to merit management's attention
- Views about the qualitative aspects of the entity's accounting practices and financial reporting including the application of Accounting Standards by management
- Changes in significant accounting policies
- Material uncertainties relating to the entity's ability to continue as a going concern
- Any matters of governance interest identified, including any specifically required by Auditing Standards
- · New developments.





Timetable

We have set out below the timing of significant milestones to include on-site visits, key meeting dates and reporting deadlines with respect to the completion of the audit.

Milestone	Responsibility	Date
Initial planning meeting with management	BDO	ТВС
Submission of draft audit plan for management review	BDO	16 February 2016
Distribution of final audit plan to Audit and Governance Committee	Management	22 February 2016
Audit and Governance Committee meeting	-	1 March 2016
Interim audit visit	BDO	16 May 2016
All year-end work completed, and draft annual financial statements available	Management	29 August 2016
Final audit visit commences	BDO	29 August 2016
Exit meeting at completion of final audit visit	BDO / Management	9 September 2016
Submission of draft Audit Completion Report	BDO	26 September 2016





Timetable

We have set out below the timing of significant milestones to include on-site visits, key meeting dates and reporting deadlines with respect to the completion of the audit.

Milestone	Responsibility	Date
Roads to Recovery, LGAWCS Actual Wages Declaration and HACC Program Financial Accountability Report completed ready for audit	Management	3 October 2016
Roads to Recovery, LGAWCS Actual Wages Declaration and HACC Program Financial Accountability Report audits finalised	BDO	7 October 2016
Financial statements presented to Audit and Governance Committee	BDO / Management	12 October 2016
Chief Executive Officer and Principal Member of the Council to approve and sign off Regulation 14 Certification of Financial Statements, Certificate of Auditor Independence and management representation letter	City of Unley	TBC October 2016
Issue Independent Auditor's Reports and Statement by Auditor in relation to Independence	BDO	TBC October 2016





Fees

The estimated fee for services provided for the year ending 30 June 2016 is \$31,350 (exclusive of GST).

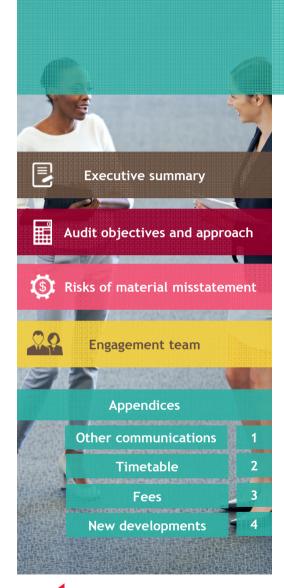
This reflects the provisions of the Professional Services Agreement and represents a CPI increase on the agreed fee for the year ended 30 June 2014.

In accordance with the Professional Services Agreement this fee includes:

- Audit of the annual financial statements under the Local Government Act 1999
- Audit of internal controls under the Local Government Act 1999
- · Audit of annual wage declaration
- · Audit of Roads to Recovery Grant Scheme

Charges for other grant acquittals will depend on the complexity and nature of the acquittal. Fee proposals will be provided on an acquittal by acquittal basis, and work will not be commenced until a fee has been agreed.





Estimates

Our estimated fees do not include any advice or assistance that may be given in respect of accounting issues. Whilst brief ad hoc information provided in the course of our audit is generally included in our proposed fee, formal advice, assistance with complex issues or meetings to discuss these issues falls outside the scope of our proposed fee. Fees for assistance provided will be negotiated prior to services being performed.

The estimated fees assume all engagement schedules and reports will be available as agreed in the timetable and the financial report is prepared by your staff. If not provided within the agreed timetable, additional costs could be incurred and charged to you.

Should these assumptions not remain valid BDO will inform you prior to the occurrence of additional costs.

Assistance required

In order to keep our time and costs to a minimum, we appreciate your assistance with the following:

- Management providing all deliverables in line with the agreed timetable
- · Assistance from your staff with supporting documentation and explanations during the audit process
- Disclosure by your staff of all information relevant to the engagement in a timely manner.





New developments

Audit reports are changing

In response to calls for the auditor's report to be more informative and useful to the users of the financial report, we now have a clear view of what the changes are.

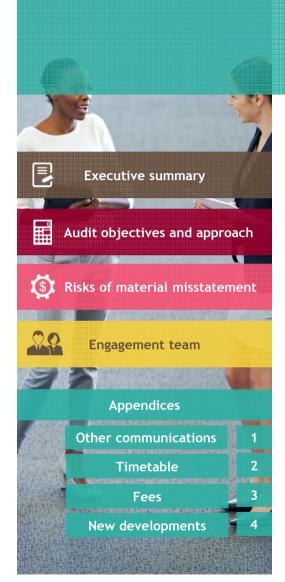
The Auditing and Assurance Standards Board (AUASB) has issued the revised suite of standards 'Reporting on Audited Financial Reports - New and Revised Auditor Reporting Standards and Related Conforming Amendments' which are effective for periods ending on or after 15 December 2016, i.e. 31 December 2016 year ends will be first time the new and revised standards will be implemented.

The release of these new standards will mean changes for all audit reports; however listed entities will be most affected with the inclusion of key audit matters.

The significant changes are:

- · Key audit matters will be included for listed entities
- The audit opinion will be moved to the beginning of the audit report
- A revised approach to reporting on going concern Increased and enhanced information on the auditor's responsibilities
- A new section to cover the auditor's work in relation to other information in the annual report.





Disclosure initiative

The International Accounting Standards Board (IASB) currently has a Disclosure Initiative project which aims to make financial statements more relevant to investors, and to reduce the burden on preparers by allowing them to apply judgement when deciding which disclosures are relevant, and which are not. In line with this philosophy, ASIC has indicated in recent media releases that it will only pursue missing disclosures if they are material.

Amendments to AASB 101 Presentation of Financial Statements

The first stage of the Disclosure Initiative project comprises amendments to AASB 101 (effective for 30 June 2017 year ends) as follows:

- Clarifying that materiality applies to all four financial statements and the notes, including specific minimum disclosures set out in Accounting Standards
- Line items in the Statement of Profit or Loss and Other Comprehensive Income' and 'Statement of Financial Position' can be disaggregated if relevant to a user's understanding
- Additional subtotals must comprise IFRS items only (e.g. 'EBITDA' acceptable but 'Earnings before abnormal items' is not) and not be displayed more prominently than IFRS totals
- Entities have flexibility in ordering the notes to give more prominence to relevant areas (e.g. larger item notes placed before smaller items, or particular items grouped together, e.g. al items measured at fair value)
- Accounting policies should be tailored to suit the operations of the entity, should not be boilerplate and not include a 'washing list' of all possible accounting policies.





Disclosure initiative (continued)

Amendments to AASB 107 Statement of Cash Flows

The second stage of the Disclosure Initiative project involves a Exposure Draft to extend disclosures required by AASB 107 regarding an entity's financing activities and liquidity. At time of writing, these changes had not been approved as an amending standard.

Things you can do now to improve the quality of financial statements

Even though these 'decluttering' amendments do not apply until 30 June 2017, there are several things you can work on beforehand to improve the quality of your financial statements. This includes:

- · Changing the order of notes
- Streamlining accounting policies
- Removing boilerplate disclosures that do not apply to your circumstances
- Generally rewording the document in as much plain English as possible.

For further information on these changes and implementation issues, please visit the 'IASB Disclosure Initiative' section of our Issues and Trends page.

Please contact your BDO engagement partner to discuss implementation issues.



We have prepared this report solely for the use of City of Unley. As you know, this report forms part of a continuing dialogue between the company and us and, therefore, it is not intended to include every matter, whether large or small, that has come to our attention. For this reason we believe that it would be inappropriate for this report to be made available to third parties and, if such a third party were to obtain a copy of this report without prior consent, we would not accept any responsibility for any reliance they may place on it.

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