



Town of Victoria Park

Audit Completion Report to the
Audit Committee
For the Year Ended 30 June 2019

3 February 2020

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1. Executive Summary

Under the requirements of Australian Auditing Standard ASA 260: “*Communication with Those Charged with Governance*”, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity. This Annual Audit Completion Report together with our previous External Audit Plan discharges the requirements of the Auditing Standard.

This report has been prepared for the Council via its Audit Committee to summarise the significant matters that have arisen from our year-end audit of the Town of Victoria Park for the year ended 30 June 2019.

1.1 Status of Audit

Our audit fieldwork at the Town of Victoria Park for the financial year ended 30 June 2019 has been completed.

1.2 Deliverables

Output	Timing
External Audit Plan	13 March 2019
Interim Audit Management Letter	11 July 2019
Final Audit Management Letter issued by the Office of the Auditor General	3 February 2020
Present the Audit Completion Report to the Audit Committee	3 February 2020
Provide Independent Auditor's Report on the Financial Report	After recommendation of Financial Report by the Audit Committee

2. Financial Statements and Audit Opinion

Audit Opinion

We have completed the audit of the Town of Victoria Park's accounts in line with current Australian Auditing Standards and, subject to subsequent events procedures, we will be recommending that the Auditor General issue an **Unqualified Opinion** indicating that the financial report of the Town of Victoria Park:

- (i) Is based on proper accounts and records; and
- (ii) Fairly represents, in all material respects, the results of the operations of the Town for the year ended 30 June 2019 and its financial position at the end of that period in accordance with *Local Government Act 1995* (the Act) and, to the extent that they are not inconsistent with the Act, Australian Accounting Standards.

Under "Report on Other Legal and Regulatory Requirements" of the Audit Report, we have reported that the following material matter indicates significant adverse trends in the financial position of the Town:

The asset sustainability ratio as reported in Note 20 of the audited financial report is below the Department of Local Government, Sport and Cultural Industries standard for the past 3 years.

3. Current Year Areas of Audit Focus

Our audit procedures were focused on those areas of Town of Victoria Park's activities that are considered to represent the key audit risks identified in our external audit plan and through discussions with management during the course of our audit.

	Risk Area	Audit Response
1	Revenue Recognition	<p>Accounting Standards for Revenue and Contributions recognition prevent Councils from recording unexpended untied grants as a liability instead of revenue (grants and contributions received in advance)</p> <p>Audit procedures included substantiation and verification of cut – off procedures and assessment of whether treatment of revenue is consistent with Accounting Standards AASB 118 <i>Revenue</i> and AASB 1004 <i>Contributions</i>.</p>
2	Assessment of Impairment and reasonableness of useful lives of Property, Plant, Equipment and Infrastructure Assets	<p>Audit procedures included discussions with management including senior asset officers about procedures in place to identify impaired assets. We also discussed the useful lives of the assets with the senior asset offices and compared the depreciation rates used against useful lives reflected in the valuations reports in respect of the revaluations last carried out by the Town.</p> <p>We are satisfied that there had been no impairment of the assets of the Town and the rates of depreciation used for the purpose of calculating depreciation are reasonable.</p>
3	Contingent Liabilities	<p>Audit procedures included discussions with management, review of council minutes and solicitor's representation letters to identify the possible existence of contingencies which may require disclosure in the financial statements.</p> <p>At this date, we are satisfied with the current disclosure in the financial report.</p>
4	Related Party Disclosures	<p>AASB 2015-6 Amendments to Australian Accounting Standards – Extends Related Party Disclosures to Not – for – Profit Public Sector Entities. The objective of this Standard was to extend the scope of AASB 124 <i>Related Party Disclosures</i> to include not – for-profit sector entities.</p> <p>Audit procedures included discussions with management and review of related party disclosure forms completed by the key management personnel which includes Councillors.</p> <p>We have also tested on a sample basis the Related Party Disclosures made under Note 33 to the Annual Financial Report.</p>

5	Changes to Local Government (<i>Financial Management</i>) Regulations	<p>As a result of an amendment to the Local Government (<i>Financial Management</i>) Regulations 1996 that became applicable to the 2018-19 financial year, the Town was required to expense assets with a fair value of less than \$5,000 at the time of acquisition. This resulted in a change in accounting policy. No retrospective adjustment was made as the impact was immaterial.</p> <p>At this date, we are satisfied with the adjustments and the relevant disclosures the Town has made in the Annual Financial Report in this regards.</p>
6	New Accounting Standards that became applicable in the 2018-19 financial year.	<p>AASB 9 – Financial Instruments became applicable for the first time in the 2018-19 financial year.</p> <p>Audit procedures included discussions with management as to its impact on the Annual Financial Report as well as the calculations performed in order to comply with requirements of the new standard. We have verified the calculations performed by the Town and at this date, we are satisfied that the Town has complied with the requirements of AASB 9 – Financial Instruments.</p>

We are satisfied that these key areas of focus have been addressed appropriately based on our audit procedures and are properly reflected in the Town of Victoria Park's financial report.

4. Assessment of Internal Controls

Our interim phase of the audit indicated that the current internal control systems and processes are reasonable. They are designed adequately for Town of Victoria Park's current business operations.

However, a separate Interim Audit Management Letter has been provided to management following our interim audit which provides details of the internal control and compliance matters raised.

Our follow up indicates that the management comments for the interim audit visit conducted during the financial year ended 30 June 2019 have either been already implemented or in the process of being implemented.

5. Key Findings during Final Phase of Audit

During our audit planning procedures and risk identification process, we identified a few key focus areas as outlined in Section 3 above. In addition, during the course of our year –end audit, other accounting and audit issues were noted as disclosed below.

- (1) The Town, up to the year ended 30 June 2017 had accounted for its share of the Revaluation Surplus of the Mindarie Regional Council through the profit and loss rather than the other comprehensive income. This misstatement was rectified in the current financial year as reflected in the Statement of Changes in Equity.
- (2) We noted that there is no formal management assessment to confirm the appropriate accounting treatment for the take up of the Town's share of the Tamala Park land development inventory. This matter has been formally raised with the Town's management.

We request that the Audit Committee review the matters above and satisfy themselves that:

- there are no other significant issues that ought to be considered before recommending the adoption of the financial statements to the Council; and
- you concur with the resolution of the issues as described above.

6. Specific Required Communications

The Australian Auditing Standard ASA 260: "*Communication with Those Charged with Governance*" requires the auditor to communicate certain matters to the Audit Committee that may assist them in overseeing management's financial reporting and disclosure process. Below we summarise these required communications as they apply to your organisation.

Reporting Requirement	Detailed Comments
Changes to Audit Approach Outlined in External Audit Plan	➤ There were no changes to the audit approach outlined in the External Audit Plan.
Significant accounting policies	<div>➤ Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Victoria Park including new pronouncements adopted during the year, are appropriately described in the financial statements.</div> <div>➤ There were no significant changes in the application of existing policies during the year ended 30 June 2019 other than the policy on Financial Instruments which had to be amended to fall in line with the requirements of AASB 9 which replaced AASB 139 effective for reporting periods beginning 1 July 2018, and the policy on asset capitalisation threshold which is described below. The impact of AASB 9 on the financial position of the Town was considered immaterial. Consequently, no adjustments were made to the retained surplus at 1 July 2018.</div>

Misstatements and significant audit adjustments	<ul style="list-style-type: none"> ➤ We are required to report to you all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature. There were no unadjusted misstatements at year end. ➤ A few disclosure adjustments to the financial statements have been discussed and amended during the course of our audit. These include the correction of the misstatement reported above under “Key Findings during Final Phase of Audit” ➤ A few financial adjustments were raised through our audit work which have been addressed.
Significant Weaknesses in Internal Controls	<ul style="list-style-type: none"> ➤ Two significant weaknesses in internal control were identified during our interim phase of the audit. They were: <ul style="list-style-type: none"> • No formal process to review user access rights • No documented IT Policy. ➤ Refer to our Interim Management Letter for details. At the year-end audit, we were informed by the management that steps have been taken to mitigate the risks identified above.
Disagreements with management	<ul style="list-style-type: none"> ➤ There have been no significant disagreements with management during the course of the audit.
<p>Serious Difficulties Encountered in Dealing with Management when Performing the Audit such as:</p> <ul style="list-style-type: none"> • Significant delays in management providing required information • An unnecessarily brief time within which to complete the audit • Extensive unexpected effort required to obtain sufficient appropriate audit evidence • The unavailability of expected information • Restrictions imposed on the auditor by management 	<ul style="list-style-type: none"> ➤ There were no serious difficulties encountered in dealing with management when performing the audit.
Fraud and Illegal Acts	<ul style="list-style-type: none"> ➤ We are not aware of any matters that require communication. ➤ We would request that the Audit Committee members raise with us any areas of risk not addressed in our communications and that they inform us of their knowledge of any actual or suspected fraud.

Compliance with laws and regulations	<ul style="list-style-type: none"> ➤ In performing our audit procedures, we have not become aware of any non-compliance with applicable laws or regulations. ➤ We have also received representations from management confirming that the Town is in compliance with all laws and regulations that impact the Town.
Threshold to Capitalise Assets	<ul style="list-style-type: none"> ➤ With effect from 1 July 2018 in accordance with the amendment to the Local Government (Financial Management) Regulations 1996, which was gazetted on 26 June 2018, the Town should capitalise assets in excess of \$5,000 only. <p>Therefore, it needed to make a retrospective adjustment in the 2018/19 financial year in respect of capital assets costing less than \$5,000 which had been capitalised in the past as this change of accounting treatment resulted in a change in accounting policy. However, no retrospective adjustment was made as the total amount was \$505,560 and it was considered immaterial as disclosed in Notes 7 and 8 to the Annual Financial Report.</p>
Books and records and conduct of the audit	<ul style="list-style-type: none"> ➤ We have been presented with all the necessary books and explanations requested of management to support the amounts and disclosures contained in the financial statements in a timely and efficient manner.
Other Information in Documents Containing Audited Financial Statements	<ul style="list-style-type: none"> ➤ The audit opinion relates only to the financial report and accompanying notes.
Related Party Transactions	<ul style="list-style-type: none"> ➤ None of which we are aware other than what is disclosed in Note 33 to the financial statements.
Major Issues Discussed with Management in Connection with Initial or Recurring Retention	<ul style="list-style-type: none"> ➤ Refer to “Threshold to Capitalise Assets” under reporting requirement and accounting for recording the changes of Town’s share of the revaluation surplus of Mindarie Regional Council reported under “Key Findings during Final Phase of Audit”
Going concern	<ul style="list-style-type: none"> ➤ As part of our audit, we have assessed and agreed with the conclusions reached by the management concerning the application of the going concern concept.
Independence	<ul style="list-style-type: none"> ➤ We confirm that, as the date of this report, we are independent having regard to professional rules and relevant statutory requirements regarding auditor independence. ➤ During the year ended 30 June 2019, our office has not provided any non-audit services to the Town of Victoria Park.

7. Disclaimer

This report has been prepared for the Audit Committee and management of Town of Victoria Park only. It should not be quoted or referred to, in whole or in part, without our prior written consent. No warranty is given to, and no liability will be accepted from, any party other than the Town of Victoria Park.