



**Town of Port Hedland**

**MINUTES  
OF THE  
SPECIAL MEETING  
OF THE  
AUDIT AND FINANCE COMMITTEE  
OF THE TOWN OF PORT HEDLAND COUNCIL  
HELD ON  
WEDNESDAY, 23 MAY 2012  
AT 3:30PM  
IN COUNCIL CHAMBERS  
McGREGOR STREET, PORT HEDLAND**

*Purpose of Meeting: To consider:  
Appointment of Auditors*

*Natalie Octoman  
Director Corporate Services*



**Terms of Reference**

The Audit and Finance Committee has been established in accordance with Part 7 of the Local Government Act 1995 to:

1. liaise with the Auditor(s);
2. receive Quarterly Budget Review Reports;
3. recommend Donations as per Council's Policy;
4. periodically consider alternatives for potential staff housing options;
5. receive Quarterly Financial Reports on all of the Town of Port Hedland's Managed Community Facilities; and
6. review and suggest improvements to Risk Management within the organisation.

***Membership:***

The membership of the committee be as follows:

- Mayor Kelly A Howlett;
- Councillor Arnold A Carter
- Councillor Michael B Dziombak
- Councillor Gloria A Jacob

***Quorum:***

The quorum for the Committee be a minimum of 50% of its membership.

***Delegation:***

The Town of Port Hedland Council provides delegated authority to the Audit and Finance Committee to meet annually with the Town's auditor(s) as required by Section 7.12A(2) of the Local Government Act 1995.

***Tenure:***

Ongoing

***Responsible Officer:***

Director Corporate Services

*(Adopted by Council at its Ordinary Meeting held 16 November 2011)*



## OUR COMMITMENT

*To enhance social, environmental and economic well-being through leadership and working in partnership with the Community.*

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**ITEM 1      OPENING OF MEETING****1.1          Opening**

The Chairperson declared the Special Meeting of the Audit and Finance Committee open at 3:35pm and acknowledged the traditional owners, the Kariyarra people.

**ITEM 2      RECORD OF ATTENDANCE / APOLOGIES / APPROVED LEAVE OF ABSENCE****2.1          Attendance**Committee:

Councillor Arnold A Carter	(Chairperson)
Councillor Michael B Dziombak	(Deputy Chairperson)
Councillor Gloria A Jacob	

Ms Natalie Octoman	Director Corporate Services
Mr Eber Butron	Director Planning and Development Services
Ms Josephine Bianchi	Governance Coordinator/ Minute Taker

**2.2          Apologies**

Mayor Kelly A Howlett

**2.3          Approved Leave of Absence**

Nil

**ITEM 3      PUBLIC TIME**

3:35pm      Chairperson opened Public Question Time.

**3.1          Public Question Time**

Nil.

3:35pm      Chairperson closed Public Question Time.

3:35pm      Chairperson opened Public Statement Time.

**3.2          Public Statement Time**

Nil.

3:35pm      Chairperson closed Public Statement Time.

**ITEM 4        QUESTIONS FROM MEMBERS WITHOUT NOTICE**

Nil.

**ITEM 5        DECLARATION BY MEMBERS TO HAVE GIVEN DUE  
CONSIDERATION TO ALL MATTERS CONTAINED IN THE  
BUSINESS PAPER PRESENTED BEFORE THE MEETING**

Cr A A Carter	Cr M B Dziombak
Cr G A Jacob	

**ITEM 6      REPORTS OF OFFICERS****6.1          Corporate Services****6.1.1      *Appointment of Auditor*****Officer****Jodie McMahon  
Manager Financial  
Services****Date of Report****15 May 2012****Disclosure of Interest by Officer****Nil****Summary**

For the Audit and Finance Committee to consider the Audit quotes received and recommend to Council the appointment of an Auditor for a term of 3 years.

**Background**

In accordance with section 7.2 of the *Local Government Act 1995*, the accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.

At Council's Ordinary Meeting held on the 11 May 2011 Council requested the Town to undertake a tender process to appoint an Auditor for a 3 year period from 2011/12 to 2013/14.

*"201011/377 Audit and Finance Committee Recommendation / Council Decision*

*Moved: Cr A A Carter*

*Seconded: Cr M Dziombak*

*That Council:*

- 1. Notes the recommendations from the Audit and Finance Committee at its meeting held on 11 May 2011; and*
- 2. Approves the appointment of UHY Haines Norton as the Town of Port Hedland's Auditors for the 2010/11 financial year; and*
- 3. Requests the Chief Executive Officer to undertake a tender process to appoint an Auditor for a 3 year period from 2011/12 to 2013/14.*

**CARRIED BY ABSOLUTE MAJORITY 7/0**

*REASON: Council believes the Chief Executive Officer should undertake a tender process to appoint an Auditor for a 3 year period from 2011/2012 to 2013/14.*



At the Ordinary Council Meeting held on the 14 March Council revoked the above Council decision and requested that the Chief Executive Officer undertake a quoting process utilising the WALGA preferred supplier panel.

*201112/374 Council Decision*

*Moved: Cr A A Carter*

*Seconded: Cr D W Hooper*

*That Council agrees to consider Officer's Recommendations 1 to 3 of Agenda Item 11.4.1.2 'Process to Appoint the Town's Auditor' together.*

*Officer's Recommendation 1*

*That Council notes the recommendations from the Audit and Finance Committee at its meeting held on 22 February 2012.*

**RECOMMENDATIONS 1-3 CARRIED TOGETHER BY  
SIMPLE MAJORITY 7/0**

*Officer's Recommendation 2*

*That Council revokes point 3 of Council Decision 201011/377 Audit and Finance Committee Recommendation/Council Decision from 11 May 2011 recorded on page 104 of those minutes:*

*"Request the Chief Executive Officer to undertake a tender process to appoint an Auditor for 3 year period from 2011/12 to 2013/14"*

**RECOMMENDATIONS 1-3 CARRIED TOGETHER BY  
ABSOLUTE MAJORITY 7/0**

*Officer's Recommendation 3*

*That Council:*

- 1. Request the Chief Executive Officer to undertake a quoting process utilising the WALGA preferred supplier panel to appoint an Auditor for a period of 3 years from 2011/12 to 2013/14.*
- 2. Note that after the quotes are received, a further report will be provided from the Audit and Finance Committee to Council to recommend appointment of the preferred company.*

**RECOMMENDATIONS 1-3 CARRIED TOGETHER BY  
SIMPLE MAJORITY 7/0**

Officers have sought quotations from all Audit Companies on the WALGA preferred panel as recommended by Council. Those who responded are being presented to Council for consideration.

### **Consultation**

- Western Australian Local Government Association

### **Statutory Implications**

#### **Local Government Act 1995**

##### *Division 2 — Appointment of auditors*

##### *7.2. Audit*

*The accounts and annual financial report of a local government for each financial year are required to be audited by an auditor appointed by the local government.*

##### *7.3. Appointment of auditors*

- (1) *A local government is to, from time to time whenever such an appointment is necessary or expedient, appoint\* a person, on the recommendation of the audit committee, to be its auditor.*

*\* Absolute majority required.*

- (2) *The local government may appoint one or more persons as its auditor.*

- (3) *The local government's auditor is to be a person who is —*  
(a) *a registered company auditor; or*  
(b) *an approved auditor.*

*[Section 7.3 amended by No. 49 of 2004 s. 6.]*

##### *7.6. Term of office of auditor*

- (1) *The appointment of a local government's auditor is to have effect in respect of the audit of the accounts and annual financial report of the local government for a term of not more than 5 financial years, but an auditor is eligible for re-appointment.*

### **Policy Implications**

Nil

### **Strategic Planning Implications**

Nil

### Budget Implications

If Council is to adopt the recommendations of the officer for the audit services for a 3 year period, Council will need to commit the following budgets:

Costs	Grant Thornton
Audit 2011/12	
Annual Audit Services	\$ 20,000.00
Disbursements	cost
Audit 2012/13	
Annual Audit Services	\$ 21,500.00
Disbursements	cost
Audit 2013/14	
Annual Audit Services	\$ 23,500.00
Disbursements	cost
Financial Management Review	
Financial Management Review	\$ 8,000.00
Disbursements	cost

These amounts will be sourced through the annual budget process with the Financial Management Review being sourced through the 2012/13 budget.

### Officer's Comment

Invitations were sent to all Audit Companies on the WALGA preferred panel seeking quotation of audit services for the Town over a 3 year period commencing for the financial year ending 30 June 2012. Audit Companies were also requested to quote for to provision of completing the Town Financial Management Review as per the *Local Government Act 1995* and the *Local Government (Financial Management) Regulations 1996* for the Town by June 2012.

Of the 7 companies on the WALGA preferred supplier panel 3 companies responded. Responses were received from:

- UHY Haines Norton;
- AMD Chartered Accountants; and
- Grant Thornton.

The table below indicates pricing and hours appointed for the term of the 3 years.

Costs	AMD Chartered Accountants	Grant Thornton	UHY Haines Norton
Audit 2011/12			
Annual Audit Services	\$ 18,800.00	\$ 20,000.00	\$ 25,000.00
Disbursements	cost	cost	cost
Hours Allocated	116.00	160.00	131.00
Audit 2012/13			
Annual Audit Services	\$ 18,880.00	\$ 21,500.00	\$ 26,000.00
Disbursements	cost	cost	cost
Hours Allocated	116.00	160.00	131.00
Audit 2013/14			
Annual Audit Services	\$ 19,600.00	\$ 23,500.00	\$ 27,000.00
Disbursements	cost	cost	cost
Hours Allocated	116.00	160.00	131.00
Financial Management Review			
Financial Management Review	\$ 7,800.00	\$ 8,000.00	\$ 8,000.00
Disbursements	costs	cost	cost
Hours Allocated	38.00	60.00	35.00

#### *AMD Chartered Accountants*

AMD Chartered Accountants are one of the South West's largest accounting and business services.

AMD Chartered Accountants currently complete audit services for local governments such as City of Busselton, Shire of Harvey and Shire of Pingelly.

AMD Chartered Accountants are able to provide assistance or advice in relation to Accounting Standards and the preparation of the Annual Report. They will communicate significant developments and changes where required in regards to developments for changes to accounting and legislative requirements that impact the financial systems, procedures and reports of the Town.

Other services offered by AMD Chartered Accountants are:

- Audit and assurance;
- Business development services;
- Company secretarial services;
- Financial feasibility studies and project analysis;
- Financial management systems;
- Human resource planning and assistance;

- Industry restructure and industry development support;
- IT and account systems support;
- Marketing planning and practical assistance;
- Proactive accounting;
- Specialist taxation, individual and small business taxation;
- Strategic business planning; and
- Superannuation fund administration.

The hourly rate for services required outside the audit services quoted are:

	Hourly Rate
Partner	\$340
Associate	\$300
Supervisor	\$180
Senior	\$160
Auditor	\$130
Assistant Auditor	\$120
Secretary	\$80

#### *Grant Thornton*

Grant Thornton are one of the oldest established firms of accountants in Western Australia and is one of the largest in Australia and the fifth largest internationally.

Grant Thornton currently complete audit services for Local Governments such as City of Perth, City of Wanneroo, Western Australian local Government Association (WALGA), City of Nedlands and the Shire of Roebourne.

Grant Thornton has advised that they would comply with the Town's audit timetable. They have also noted that their senior staff are available at any time of the year to discuss matters of concern, attracting no additional charges.

Other services offered by Grant Thornton are:

- Probity Audits;
- Taxation and Business Services – GDT and FBT;
- Business Recovery and Insolvency Services;
- Property Services – Feasibility Studies;
- Information Systems Reviews;
- Management Reviews;
- Preparation of Business plans; and
- Risk Management Reviews.

Their hourly rate for services required outside of the audit services quoted are:

	Hourly Rate
Partner	\$300
Manager	\$200
In Charge	\$160
Staff	\$100

### *UHY Haines Norton*

UHY Haines Norton have been the Town's auditors for the last 10 years. They have been providing audit and consultant services to local governments since 1993. They are the largest auditor of local governments within Western Australia.

UHY Haines Norton currently complete audit services for local governments such as Town of Claremont, City of Kalgoorlie-Boulder, City of Subiaco and City of Rockingham.

UHY are currently WALGA's contract provider for tax services. They conduct annual workshops for local governments within Western Australia covering Annual Financial Reports, Budgets, accounting standards, infrastructure assets, cash flow statements, ratio analysis, sustainability and various other accounting issues. These services are available to all local governments across Western Australia through the Western Australian Local Government Association.

Other services offered by UHY Haines Norton are:

- External and Internal Audits;
- Accounting Advice and Assistance;
- IT Solutions;
- Income Tax Preparation and Planning Advice;
- Tax Consulting – Business Advice;
- GST and FBT advice;
- Systems Review and Implementation;
- Strategic Planning;
- Budgeting Planning;
- Succession Planning;
- Budgeting and Cash Flow Analysis;
- Management Consulting; and
- Financial Management and Organisational Planning.

Their hourly rate for services outside the audit services quoted are:

	Hourly Rate
Partner	\$440-\$550
Manager	\$275
Senior	\$200
Intermediate	\$160
Graduate	\$120

Officers are recommending that the Audit and Finance Committee accept the quotation received from Grant Thornton. Officers believe that while they are not the lowest quotation received on a lump sum basis, on an average hourly basis they are the lowest.

	<b>Hourly Rate</b>
AMD Chartered Accountants	\$162
Grant Thornton	\$125
UHY Haines Norton	\$190

Grant Thornton have allocated more hours to the provision of audit services to the Town and officers feel that these hours allocated are more reflective of the hours required to carry out the audit services and financial management review for the Town of Port Hedland.

Should the Town also require additional services outside of the quotation received Grant Thornton's hourly rate for these services are the lowest of the quotations received.

While AMD Chartered Accountants are the lowest quotation received, Officers believe that Grant Thornton have more extensive knowledge and understanding of local government legislation appropriate to the Town of Port Hedland as they are currently providing external audit services to large metropolitan and regional councils whilst also being a lower quotation received than UHY Haines Norton. Local Governments that Grant Thornton are currently providing audit services include: the City of Perth, City of Stirling, City of Albany, Shire of Roebourne and the City of Joondalup.

#### **Attachments**

1. AMD Chartered Accountants Quotation;
2. Grant Thornton Quotation; and
3. UHY Haines Norton Quotation.

#### **AFC201112/017 Officer's Recommendation/Audit and Finance Committee Decision**

**Moved: Cr M Dziombak**

**Seconded: Cr G A Jacob**

**That the Audit and Finance Committee recommend to Council that it appoints Grant Thornton as the Town's auditors for a 3 year term commencing from financial year ending 30 June 2012.**

***CARRIED 3/0***

## ATTACHMENT 1 TO ITEM 7.1.1



## PARTNERS

Clifton M Anderson FCA, JP	Stuart Fricker CPA, GAICD
Stephen FJ Down CA	Tim Partridge FCA
Shaun G O'Callaghan CA	
Peter Mancias CPA	
(Holder of Taxation Law)	

## ASSOCIATES

Maria Cavallo CA	Shane Kaurin CPA
Steven Cluning CA	

9 May 2012

**Mr I. Hill**  
**Acting Chief Executive Officer**  
**Town of Port Hedland**  
**PO Box 41**  
**PORT HEDLAND WA 6721**

Dear Ian

**EXTERNAL AUDIT SERVICES**  
**REQUEST FOR QUOTE**

We are pleased to submit our quotation to provide Audit Services to the Town of Port Hedland for a 3 year term commencing 1 July 2011.

**AMD AUDIT & ASSURANCE SERVICES**

Since 1982, AMD Chartered Accountants has grown to be one of the largest WA chartered accounting firm outside the Perth metropolitan area with offices in Bunbury, Mandurah and Geraldton, and a team of over 60 people. The AMD Audit and Assurance Division comprises 10 full time staff and we have a wide range of audit clients including Local Government Councils, large proprietary companies, co-operatives, government trading enterprises and community organisations.

We are currently the auditors for ten Local Government Councils, and in addition to completing statutory audits we are often requested to provide other additional assistance and advice specific to Local Government requirements.

We are the only regional based firm within Western Australia recognised as Local Government specialists, and as such we are listed as Western Australia Local Government Association "Preferred Suppliers" in respect to the provision of both internal and external audit services.

Our audit team is led by an experienced audit Partner, Tim Partridge and audit Associate, Maria Cavallo. Our enclosed Audit Services Proposal includes additional information on AMD Chartered Accountants and Audit and Assurance Team members who would be responsible for this engagement.

We are fortunate to have a variety of specialists within our firm, accordingly should assistance be required on other areas we would be pleased to provide support.



**Chartered**  
**Accountants**

Independent Member of

**B K R**  
**INTERNATIONAL**

Liability limited by a scheme approved under Professional Standards Legislation

**Bunbury Office**

Unit 1, 29-30 Wellington Street,  
 PO Box 1306,  
 Bunbury, WA 6231  
 Telephone: (08) 9780 7555  
 Facsimile: (08) 9721 8982

**Mandurah Office**

197 Mandurah Terrace,  
 PO Box 4250,  
 Mandurah North, WA 6210  
 Telephone: (08) 9535 5889  
 Facsimile: (08) 9535 8840  
 Email: [amd@amdonline.com.au](mailto:amd@amdonline.com.au)

**Geraldton Office**

156 Durlacher Street,  
 PO Box 288,  
 Geraldton, WA 6531  
 Telephone: (08) 9964 5888  
 Facsimile: (08) 9964 5899  
 Email: [www.amdonline.com.au](http://www.amdonline.com.au)



**BENEFITS IN APPOINTING AMD CHARTERED ACCOUNTANTS**

We believe there are significant benefits in appointing AMD as your auditors, including:

- The extensive Local Government experience of Tim Partridge and Maria Cavallo, who are both available to be appointed as Council's nominated auditor. Both Maria and Tim are Chartered Accountants and Registered Company Auditors with over 27 years of Local Government audit experience.
- Our Audit and Assurance team comprises ten full time professionals and we draw on expertise from within AMD's team of 60 staff in completing audit engagements, as and when required. As a result we confirm we have the ability to rotate audit staff during the contract.
- Our significant experience in conducting audits for Local Government Councils, similar to the Town of Port Hedland.
- Whilst our approach is at all times professional and independent, it is also co-operative and communicative so that we develop excellent working relationships with your accounting team, thus promoting efficiency and transfer of accounting knowledge.
- The considerable experience of our nominated auditors and audit team in advising on matters relating to financial management regulations and accounting standards.
- The absence of risk in choosing a stable firm with proven record of providing high quality audit service since 1982 to Local Government Councils within Western Australia.
- We are able to provide high quality taxation and other consulting services, again with the advantage of local government experience and being able to visit your offices quickly and cost effectively.

**DISBURSEMENTS**

Please note that our fee quote contained within our attached proposal includes a significant level of disbursements relating to travel (flights) to and from Port Hedland, and accommodation.

Disbursements have been estimated based on actual quotes obtained from hotels, caravan parks and airlines on 6<sup>th</sup> May 2012.

We are concerned that the level of disbursements may appear high given we obtained quotes based on "current pricing", with limited advanced notice.

We are aware however from our experience in completing other regional based audits including Kalgoorlie, Newman and Geraldton that cheaper rates can usually be obtained where bookings are made 3 to 4 months in advance.

It is our usual policy to make advanced bookings in order to keep disbursements to a minimum.

We would therefore expect in a year where we would have some months of advanced notice to plan our trips, cheaper rates may be available.

Please note that we would also seek to minimise the number of nights accommodation required, by booking early morning arrival flights to Port Hedland and late afternoon departure flights.

**CONCLUSION**

AMD has a history of providing excellent service to Local Government Councils, at reasonable fees. We are committed to the continuing development of our team and capabilities.

Previously, many Councils have chosen an auditor based on price alone. However we believe there is a growing awareness in Local Government as to the importance of a high quality audit, to assist in the proper financial management and financial reporting which we understand the Town of Port Hedland is seeking.

Through demonstrated capabilities, experience and achievements, we believe that AMD is well aligned to provide audit services to the Town of Port Hedland.

We would be very pleased to act as auditors of the Town of Port Hedland and would appreciate the opportunity to provide a constructive and valuable contribution to the Shire's financial management.

Please do not hesitate to contact Maria Cavallo or myself should there be any areas of this proposal that you wish to discuss further. We would be pleased to hold a phone conference with the Audit Committee to discuss our proposal if required.

Yours sincerely

**AMD Chartered Accountants**



**TIM PARTRIDGE FCA**  
**Partner**

Enc.



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## **Audit Services**

### **2011/12 to 2013/14**



## **Provision of Audit Services**

### **Request for Quote – Contract**

### **Number 0411-11**

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May 2012

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## Audit Contract Requirements



In accordance with the requirements of the Town of Port Hedland request for audit services quotation, we provide the following:

### 1. Parties to the Contract

- |     |            |   |
|-----|------------|---|
| (a) | Principal  | Town of Port Hedland  |
| (b) | Contractor | Tim Partridge<br>AMD Chartered Accountants<br>Registered Company Auditor Number: 225698 |
|     |            | Maria Cavallo<br>AMD Chartered Accountants<br>Registered Company Auditor Number: 308235 |

### 2. Objectives of Audit

The objectives of the audit are as outlined within the request for quotation specifications and are consistent with the objectives of other Local Government audits we conduct. We confirm we are able to meet the audit objectives as stated.

In accordance with the request for quote specifications, we will:

- (a) provide an independent audit opinion of the accounts and annual financial reports of the Town of Port Hedland for each financial year covered by the term of the audit appointment in accordance with the Local Government Act and Regulations; and
- (b) undertake a review of the appropriateness and effectiveness of financial management systems in accordance with Section 6.10 of the Local Government Act 1995 and Section 5(1) of the Local Government (Financial Management) Regulations during June 2012.

The goal of AMD Audit and Assurance Services is not only to carry out cost efficient audits to provide an opinion on the annual financial report but also to provide clients with constructive and independent advice on systems and procedures and on the way in which this information is reported.

### 3. Scope of Audit

Our audit will be completed based on the requirements of Part 7 – Division 3 of the Local Government Act 1995 and the Local Government (Audit) Regulations 1996. We confirm that audits completed by us are carried out in accordance with Australian Auditing Standards and Auditing Guidance Statements.

We understand that Council wish to appoint auditors for a 3 year period, commencing 1 July 2011 through to 30 June 2014.

## Audit Contract Requirements



### 4. Audit Methodology

During the year we will communicate with you to ensure that we have a mutual satisfactory program for completing the annual audit. Please refer below for further details.

#### ***Entrance Interview***

Before we commence the audit, the audit senior would meet the Director or Corporate Services and / or Manager of Finance to ensure there is a mutual understanding of the audit requirements and approach. This interview is also utilised to discuss any areas of concern or issues.

If required, we will also be available to hold a phone conference with the Chief Executive Officer and / or Audit Committee prior to commencement of the audit to discuss any areas of concerns or issues.

#### ***Planning and Interim Audit***

Prior to the end of each financial year, we will perform an audit planning visit. This visit would usually be completed in April or May each year at a mutually convenient time, and would take place at Council's offices.

The purpose of the planning visit is to complete our audit planning in accordance with Australian Auditing Standards including assessing audit risk areas. During this visit we will also assess compliance with the financial management sections within the Local Government Act and Financial Management Regulations.

Once we have obtained an understanding of risks, key systems and internal controls are reviewed and documented including:

- a) Revenue:
  - Rates revenue;
  - Government grants;
  - User pays revenue;
  - Profit on sale of non-current assets;
  - Other income;
- b) Expenditure:
  - Salary and wage costs;
  - Depreciation;
  - Materials and contract expenditure;
  - Loss on sale of non-current assets;
  - Insurances;
  - Bad debts;
  - Other expenditure;

## Audit Contract Requirements



### 4. Audit Methodology (continued)

- c) Current Assets:
  - Bank and short term investments;
  - Receivables and prepayments;
  - Inventory;
- d) Non-Current Assets:
  - Property, plant, furniture and equipment;
  - Infrastructure and depreciation;
  - Other receivables;
- e) Liabilities (Current and non-current):
  - Creditors and accruals;
  - Loan borrowings including new loans raised;
  - Provision for annual and long service leave entitlements;
- f) Reserve Funds
- g) Contingent Liabilities;
- h) Capital Commitments;
- i) Accounting Policies and Notes to the Financial Statements;
- j) Statement of Cash Flows; and
- k) The financial ratios required by the Local Government (Financial Management) Regulations 1996.

Tests of internal controls are then designed and performed to ensure key controls relating to the above specific matters to be audited are operating effectively.

Upon completion of this interim audit visit, an Interim Management Letter will be prepared after discussion with your accounting team should there be significant issues to raise. This report will outline any weaknesses or areas of concern identified during the review and testing phase, with detailed recommendations provided to rectify issues identified. Recommendations raised are in accordance with Local Government best practice.

### **30 June Information Checklist**

AMD's Local Government Year End Information Checklist will be provided to and discussed with the accounting team at the time of the interim audit.

The checklist details key summaries and reconciliations to be prepared as at 30 June, which we will require to complete our year end audit.

The completed checklist forms the basis of a year end file, provided to us at commencement of our final audit, (containing copies of reconciliations and summaries etc). The content of our audit checklist is based on matters forming the Critical Audit Areas as outlined above.



## Audit Contract Requirements



### 4. Audit Methodology (continued)

This process ensures our clients are aware of what we need prior to us commencing our final audit visit by providing a clear understanding of what we required. We also consider this process assists in the efficiency of the audit process and will ensure all necessary documentation has been prepared prior to our visit.

#### **Final Audit**

The final audit visit after the end of the financial year includes all procedures necessary to audit the financial statements (including accounting policy notes, statement of cash flows, financial ratios etc) in accordance with Australian Auditing Standards, Auditing Guidance Statements, Local Government Act, Local Government Regulations and other legislative requirements.

These audit procedures would be completed at Council's offices at a mutually convenient time as agreed with the accounting team (within 30 days of being advised the accounts and annual financial report are available for audit).

On completion of our final visit, a Management Report to the Town President and CEO is prepared. This letter details any recommendations regarding the improvement of internal controls, together with commentary regarding the action outcomes of the interim management report.

An audit report will also be provided by us on completion of our audit, as required by Section 7.9 of the Local Government Act 1995 within the required legislative time frame.

Please note that our audit methodology and approach relating to Local Government audits has been independently assessed and confirmed to be appropriate.

#### **Exit Interview**

The audit senior will be onsite to meet and discuss any matters arising from the audit with the Director or Corporate Services and / or Manager of Finance and/or Chief Executive Officer on completion of the field work.

#### **Audit Committee and Annual General Meeting of Ratepayers**

Council's nominated auditor is available to attend Audit Committee meetings or the Annual General Meeting of Ratepayers at any time during the contract term at an additional fee. Given time associated with travel to and from Port Hedland a fee of \$1,800 plus out of pocket expenses will be charged for Audit Partner attendance at these meetings. A reduced fee would be charged if an Audit Senior or Manager attended in place of the Audit Partner.

Should a phone conference with the Audit Committee be sufficient, no additional fee will be charged.



## Audit Contract Requirements



### 4. Audit Methodology (continued)

#### **Accounting Standards / Annual Report Advice**

Please note that at our interim and final audit visits we are able to provide assistance or advice in relation to Accounting Standards and the preparation of the Annual Report.

We will also make ourselves available on request to provide advice on any development and changes to accounting standard and legislative requirements that impact the financial systems, procedures and reports of the Town. We will communicate significant developments and changes in writing where required.

#### **Financial Management Systems Review**

We understand that pursuant to Regulation 5(2) of the Local Government (Financial Management) Regulations, a review of the appropriateness and effectiveness of financial management systems will be required every four years.

Based on the Request for Quote specifications, this review will be completed during the 30 June 2012 year.

#### **Specific Project Audits/Acquittals**

We understand that we may be requested to provide specific audit acquittals on an annual basis including the annual Roads to Recovery related acquittals and any other acquittals required due to additional grant funding being received.

Acquittals will be charged at normal professional hourly rates for that level of work as stated in the Fee Schedule table below or a quoted fee (where requested).

## Audit Contract Requirements



### 4. Audit Methodology (continued)

#### **Schedule of Rates - Other Services**

Apart from the statutory audits there may be other audits or financial services that are required from time to time such as audit liaison, assistance in rectifying problems in annual report, feedback, support and direction and assessment of accounting procedures, internal controls, risk and performance assessments of the efficiency and effectiveness of operations as agreed with the Manager of Finance, Director of Corporate Services, Chief Executive Officer or Audit Committee and review compliance with the statutory requirements of the ATO.

Where the work is significant or outside the normal scope of the audit, a charge above the audit fee at an hourly rate stated in the Fee Schedule below is usually agreed in advance.

The following schedule of rates is current as of the date of this quotation, and provides an indication as to costs incurred to complete additional assignments outside of the statutory audit scope.

Line No	Service Description	Description / Classification of Personnel	Tender Unit	Price Tendered (ex GST)	GST Component	Price Tendered (Inc GST)
1(a)	Audit Partner	Tim Partridge C.A.	Per hour	\$340	\$34	\$374
1(b)	Audit Associate	Maria Cavallo C.A.	Per hour	\$300	\$30	\$330
1(c)	Audit Supervisor	Rebecca Broad	Per hour	\$180	\$18	\$198
1(d)	Audit Senior	Alisha Kellow	Per hour	\$160	\$16	\$176
1(e)	Audit Senior	Renir Van Tonder	Per hour	\$160	\$16	\$176
1(f)	Auditor	Various	Per hour	\$130	\$13	\$143
1(g)	Assistant Auditor	Various	Per hour	\$120	\$12	\$132
1(h)	Secretary	Administrative Services	Per hour	\$80	\$8	\$88
2	Report production cost		Per unit	\$Nil	\$Nil	\$Nil
3	Travel & accommodation		Per Visit	\$At Cost	\$At Cost	\$At Cost
4	Phone conference with Audit Committee		Per Annum	\$Included	\$Included	\$Included

***Our quoted costs above are exclusive of all out of pocket disbursements, including flights from Perth, car hire and accommodation which will be charged at actual cost. Please note, however the attached fee schedule provides an estimate of disbursements based on quotes received dated 7 May 2012.***

Charge out rates outlined above are subject to annual review and adjustment.

Please note, we would expect most one off engagement (including grant acquittals, verification of capital expenditure etc) to be completed primarily by an Assistant Auditor or Auditor.

The nominated auditors, who are both Registered Company Auditors and Chartered Accountants are available to provide consultation services (e.g. advice in relation to changes to accounting policies, adoption of new Accounting Standards etc), as requested.

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## Performance and Experience

### 5. Demonstrated Experience

#### ***Nominated Auditor***

The nominated auditors for this engagement are Tim Partridge, Registered Company Auditor No 225698 and Maria Cavallo, Registered Company Auditor Number 308235.

We have nominated two Registered Company Auditors which allows the option of rotating the nominated auditor during the term of engagement.

#### ***Your Audit Team***

The audit team will be led by Tim Partridge and Maria Cavallo. Tim and Maria are both Chartered Accountants and Registered Company Auditors, with extensive experience in auditing Local Governments. Tim and Maria have a total of 27 years combined experience in auditing Local Government Councils within Western Australia.

Our Audit and Assurance team comprises ten full time professionals and we draw on expertise from within AMD's team of 60 staff in completing audit engagements, as and when required. As a result we confirm we have the ability to rotate audit staff during the contract.

The nominated auditor will subsequently be available to hold a phone conference with the Audit committee throughout the year at no additional cost.

Please refer to the attached Team Profile (Appendix 4) for further information on the audit seniors within the AMD Audit and Assurance Team we propose could be involved on this engagement.

#### ***Experience as Auditor in Local Government***

We are currently the auditors for ten Local Government Councils in the South West region and have been auditors for most of these Councils for many years.

As such, we are one of the leading firms of Local Government auditors in Western Australia.

We are the only regional based firm within Western Australian recognised as Local Government specialists, and as such we are listed as Western Australia Local Government Association "Preferred Suppliers" in respect to the provision of both internal and external audit services to Local Government.

Our audit knowledge of Local Government accounting is equal to any available in Western Australia; we have conducted many seminars and have been engaged on special services by Local Governments for whom we do not act as auditors.

The goal of the AMD Audit & Assurance team is not only to carry out cost efficient audits but also to provide clients with constructive and independent advice on day-to-day operations. A standard feature of the AMD service is to review the effectiveness of accounting systems and procedures, and provide recommendations for improvement. AMD provide a value-added service as a result of the understanding and knowledge obtained from diverse experience with our clientele.

Please refer to our Team Profile, which is attached, for further detail on our experience and capabilities. Please refer to our referees listed within Appendix 2 who we welcome you content in respect to our demonstrated capabilities and levels of service provided.

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## Performance and Experience



### 5. Demonstrated Experience (continued)

#### ***Other Services Previously Provided to Local Governments***

We often perform other services for our Local Government clients including compliance with Accounting Standards, compliance reviews acquittal audits. We would be pleased to provide these additional services on an ad-hoc basis as requested.

Fees for these services would be at normal professional rates and quotations can be provided prior to commencing the work.

### 6. Quality Control

We advise AMD have quality control systems in place which are documented within our Quality Control Guide.

The Accounting Professional and Ethical Statement "APES 110 - Code of Ethics for Professional Accountants", and "APES 320 - Quality Control for Firms" as issued by the Accounting Professional and Ethical Standards Board (APESB).

We confirm that AMD are fully compliant with these quality control standards.

As a Chartered Accounting firm undertaking audit services we are subject to Quality Reviews undertaken by the Institute of Chartered Accountants on a regular basis. The most recent review included the selection of one of our Local Government Council audit work papers. The review encompasses a full assessment of our audit methodology, approach and compliance with Australian Auditing Standards. We are pleased to note there were no adverse findings in respect to our audit methodology, approach and reporting on a completion of this review.

## Appendix 1 –Organisation Structure



### Performance and Experience / Organisational Structure

#### AMD Chartered Accountants

AMD is one of the South West's largest accounting and business services firm, delivering a broad range of services that help clients to grow and succeed. AMD has serviced the region since 1982, and have grown to a team of 60 staff in 3 offices. The AMD service range has been built around the needs of progressive businesses and includes:

- Audit and assurance;
- Business development services;
- Company secretarial services;
- Financial feasibility studies and project analysis;
- Financial management systems;
- Human resource planning and assistance;
- Industry restructure and industry development support;
- IT and accounting systems support;
- Marketing planning and practical assistance;
- Proactive accounting;
- Specialist taxation, individual and small business taxation;
- Strategic business planning; and
- Superannuation fund administration.

#### The AMD Service Range

The AMD way is to think outside of the box and offer services to support the whole of your business. We aim to help you to succeed and prosper.

##### ***General Taxation and Accounting***

Taxation and accounting services are managed for a broad cross section of West Australian business and personal requirements. AMD also has a specialist taxation unit for complex matters and structural planning.

##### ***Strategic Business Planning & Development Support***

Targeted activities from direction setting workshops through to comprehensive strategic business planning or family business succession planning. Clients may also qualify for state government funding toward planning services.

##### ***Audit & Assurance Services***

We perform audits for and give specialised reports and advice to a wide range of clients including large private companies, local government, public companies, self managed superannuation funds, charities and schools.



## Appendix 1 –Organisation Structure



### Performance and Experience / Organisational Structure (continued)

#### ***Financial Feasibility & Project Analysis***

Business feasibility studies and financial modelling can mean the difference between guesswork and confident decision making! Our team has worked with business owners as well as third parties such as banking or legal teams.

#### ***Marketing Planning & Assistance***

Practical and flexible marketing support including marketing planning, positioning and creative brief, market feasibility, research and sales estimation, advertising and promotions review, budgeting and evaluation, copywriting and presentations.

#### ***Superannuation Fund Administration and Financial Planning***

A complete administration service for Self Managed Superannuation Funds is available. Our clients include small family funds through to corporate funds and retirees. Advice is offered on planning for retirement, estate structure, pension funds and investment.

#### ***Bookkeeping & Accounting Systems Support***

The quality, efficiency and application of financial information management is an essential consideration for any business. Our team can assist with computerised accounting system set up and bookkeeping training.

#### ***Specialist Taxation Advice***

AMD has a specialist tax unit able to assist with a range of complex tax matters including Income Tax, GST, Fringe Benefits Tax, Capital Gains Tax, taxation relating to family law matters and general taxation litigation support.

### Service Profile – Audit & Assurance Services

AMD Audit & Assurance Services provide independent and objective services to ensure the reliability of financial information, transactions and processes. In addition to performing cost-effective audits, we provide clients with constructive independent advice on the day to day running of their businesses. We adopt a communicative, hands-on approach in assisting clients and, being based in Bunbury, we are available to visit clients throughout the South West whenever required.

#### ***Statutory Audits***

As Registered Company Auditors we are responsible for the audit and preparation of financial statements in accordance with relevant legislative requirements. Statutory audits represent the core of our activities, and we adopt a practical approach in recommending system improvements.

#### ***Internal Procedures & Controls Review***

We perform financial system reviews to ensure procedures in place are appropriate for the type and size of the business, and are operating effectively. Our report outlines areas of concern and recommendations for improvement. We regularly perform this service for clients who do not require a full audit or businesses that have experienced rapid growth.

## Appendix 1 –Organisation Structure



### Performance and Experience / Organisational Structure (continued)

#### ***Forensic & Investigative Accounting***

We provide discreet, pro-active assistance relating to the investigation of unusual transactions or balances, in addition to reviews designed to prevent and detect fraud.

#### ***Management Assurance Services***

Our internal audit and risk management reviews can be tailored to include financial and non-financial aspects critical to client operations. On completion of these reviews, we report to management on an exception basis, outlining areas of concern and remedial action required.

#### ***Corporate Governance***

It is critical that Boards and governing bodies find the right balance between compliance, best practice and performance. Our advice in this area is practical and relevant, and tailored to the nature of the organisation.

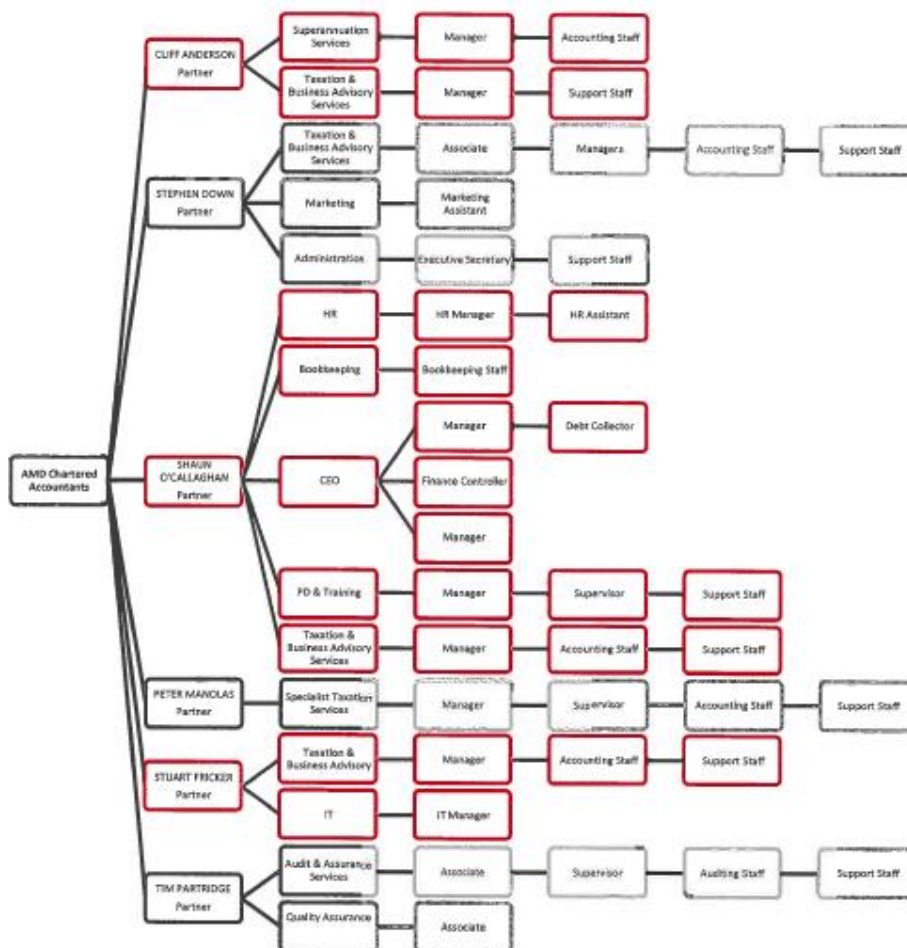
#### ***Transaction Service***

We can independently review one-off transactions outside the ordinary course of business, including related technical advice. Transactions typically include due diligence reviews, the issue or buyback of shares, revaluation of non-current assets and related party transactions.

## 1.0 Who are AMD?



### 1.1 Organisational Chart





## Appendix 1 –Organisation Structure



### BKR

AMD are a member firm of BKR International, a leading association of independent accounting and business advisory firms. BKR represent the expertise of more than 135 firms in 300 offices in over 70 countries around the world.

BKR firms offer clients the best of both worlds: personalised local service and global expertise and connections.

BKR offers members the best of both worlds: access to assistance and resources available in "Big 4" firms, while maintaining your independent management and entrepreneurial vision.

As a worldwide association of independent accounting, taxation and business advisors, BKR International brings together firms that offer you up-to-date global expertise.

Our member firms are large enough to offer a full range of independent and objective advisory services, but small enough to attend to your specific needs and offer the personalised attention you require.

You can depend on BKR member firms for creative and practical services to clients through highly trained, skilled and motivated professionals.

Independent members are committed to delivering superior client service throughout the world. Large enough to offer a full range of services, yet small enough to deliver personal service and objective advice.

BKR International member firms are selected for their local influence, expertise and international capability. Member firms must demonstrate that they have met the standards of their local jurisdiction, as well as undergo a thorough review by BKR's Regional and Worldwide Boards.

For further information please visit <http://www.bkr.com/>

## Appendix 2 - Referees



Reference points are listed below, and we welcome your contact with our clients.

### **City of Busselton**

Mike Archer  
Chief Executive Officer  
(08) 9781 0444

Example of services provided: Annual audit, Financial Management System Reviews, acquittal audits, fringe benefits tax advice, financial modelling, general advice.

### **Shire of Harvey**

Michael Parker  
Chief Executive Officer  
(08) 9729 0300

Example of services provided: Annual audit, Financial Management System Reviews, accounting standards advice, acquittal audits, general advice.

### **Shire of Donnybrook – Balingup**

John Attwood  
Chief Executive Officer  
(08) 9780 4200

Example of services provided: Annual audit, Financial Management System Reviews, Accounting Standards, Acquittal audits, general advice.

### **Shire of Pingelly**

Mick Oliver  
Chief Executive Officer  
(08) 9887 1066

Example of services provided: Annual audit, Financial Management System Reviews, Accounting Standards, Acquittal audits, general advice.

### **Shire of Manjimup**

Jeremy Hubble  
Chief Executive Officer  
(08) 9771 7777

Example of services provided: Annual audit, Financial Management System Reviews, Accounting Standards, Acquittal audits, general advice.

*Additional current local government client reference points are available upon request.*

### **Bega Garbarrngu Health Services Incorporated**

Wayne Johnson  
Chief Executive Officer  
(08) 9022 5500

Example of services provided: Annual audit, Internal audits, Financial Reporting Advice, Acquittal audits, general advice.

### **Geraldton Port Authority**

Ric Prochroj  
Finance Manager  
(08) 9938 0003

Example of services provided: Internal Audit.

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**Appendix 3 – Insurance Coverage**

Type	Insurance – Broker	Policy Number	Value (\$)	Expiry Date
Public Liability	Nexus Risk Services Allianz Aust Insurance Limited	161A000145OFF	\$20 million	30 June 2012
Workers Compensation / Personal Accident	Nexus Risk Services Allianz Aust Insurance Limited	WWH0058226	\$50 million	30 June 2012
Professional Indemnity	Nexus Risk Services Dual Australia Pty Ltd	TU/PI/20100056	\$10 million	30 June 2012

Please note: Certificates of insurance can be provide upon request

## Appendix 4 – Key Personnel



Key audit personnel from AMD's Audit and Assurance team are as follows:



**Tim Partridge, B.Com, FCA, IIAA**  
**Partner, Audit & Assurance Services**

Tim completed a Bachelor of Commerce at the University of Western Australia in 1994 and commenced his career with KPMG in February 1995 as a Graduate Accountant in the Audit Division.

While at KPMG, Tim completed his Professional Year in 1997 and was subsequently admitted as a Chartered Accountant. Tim's role as a Senior in the Audit Division involved planning audits, conducting fieldwork and preparing accounts for a broad range of clients, including companies listed on the Australian Stock Exchange, multinationals, large proprietary companies, Government departments and statutory authorities.

Originally from the South West, Tim moved to Bunbury after being offered a position at AMD Chartered Accountants in September 1998.

As AMD's Audit and Assurance Services Partner, Tim is responsible for the audits of a broad range of organisations including large proprietary companies, private corporations, Government Trading Enterprises, Local Government authorities and co-operatives.

His role includes the preparation of financial reports in accordance with Australian Accounting Standards, Corporations Act and other legislative requirements for many clients, once audits have been completed. Responsible for technical advice in relation to accounting issues and reporting requirements, Tim adopts a practical approach when assisting clients in these areas.

Tim is also actively involved in assurance related services for a range of non-audit clients, including due diligence reviews, investigative accounting and business reviews relating to the purchase and sale of businesses.

In addition to holding client seminars and technical updates throughout the year, Tim also lectured Auditing at Edith Cowan University for a number of years.

In January 2003, Tim became a Registered Company Auditor with the Australian Securities and Investments Commission and was admitted as a Partner of AMD in July 2004. Tim is a member of the Institute of Internal Auditors Australia, a Graduate of the Australian Institute of Company Directors and was acknowledged as a Fellow of the Institute of Chartered Accountants in 2010.

Tim has been a Board member of the Bunbury Cathedral Grammar School since 2007; and is currently Chair of the Bunbury Cathedral Grammar School Finance Committee, in addition to Deputy Chair of the Board.

Tim's experience in Local Government auditing resulting in AMD being included as a preferred supplier of audit services by the Western Australian Local Government Association.

## Appendix 4 – Key Personnel



**Maria Cavallo, B.Bus, CA**

***Audit Associate, Audit & Assurance Services***

Maria completed a Bachelor of Business degree at Edith Cowan University with a double major in Accounting and Public Practice in November 2001. She subsequently commenced employment with AMD as a graduate auditor in December of the same year.

Maria progressed to audit supervisor in June 2004, and then to audit manager in June 2005. She is responsible for completing audits for a wide range of clients in various industries including local government, insurance, education providers, employment, welfare, performing arts, solicitors, real estate and sporting clubs.

Maria is responsible for supervising and conducting audits; from the initial planning on interim audits, to completing final audits and preparing annual reports in accordance with accounting standards and other relevant legislation.

Maria also performs financial systems reviews for various clients and can provide advice in relation to technical accounting issues and reporting requirements such as International Financial Reporting Standards, related party transactions and consolidation accounting for subsidiaries. Her role includes the preparation of financial reports in accordance with Australian Accounting Standards, Corporations Act and other legislative requirements for many clients, once audits have been completed.

Maria completed her professional year studies, and qualified as a Chartered Accountant in November 2004. Ongoing studies have resulted in Maria keeping up to date with changes in accounting standards and financial reporting legislation.

Maria currently is the Audit lecturer and tutor at Edith Cowan University, and has been so since 2005.

The Australian Securities and Investment Commission has recognised Maria as a Registered Company Auditor, effective January 2007. Maria is also a member of the Institute of Internal Auditors of Australia.

Maria was made an Associate of the firm on 1 July 2010, and was also recognized with a 'Highly Commended Award' from the President of the Institute of Chartered Accountants Australia, in October, in recognition of her services.

Maria is a member of the Diocesan Finance Council and Treasurer of the Bunbury Cathedral Grammar School Old Grammarians' Association Inc. These roles enable her to enhance her standing in the local business community and provide an opportunity for the extension of Maria's accounting knowledge.

## Appendix 4 – Key Personnel



**Rebecca Broad**

***Audit Supervisor, Audit and Assurance Services***

Rebecca joined AMD in January 2007 as an assistant in our audit division. She is currently completing her Bachelor of Business at Edith Cowan University in Bunbury majoring in accounting. Rebecca is studying part time for the remainder of her studies, gaining experience at AMD within her field of study.

Rebecca intends to complete her studies to become a Chartered Accountant, on completion of her Bachelor of Business degree.

Rebecca was promoted to the position of audit supervisor on 1 July 2010.



**Alisha Kellow B.Bus**

***Audit Senior, Audit and Assurance Services***

Alisha completed a Bachelor of Business degree at Edith Cowan University with a double major in Accounting and Public Practice in June 2010.

Alisha commenced her career with RSM Bird Cameron in December 2007, where she worked as an Undergraduate Accountant prior to commencing with AMD's Audit and Assurance Division at AMD in June 2010.

Alisha commenced the Chartered Accountant Program to be recognised as a Chartered Accountant in January 2011.



**Ray Van tonder**

***Auditor, Audit and Assurance Services***

Ray commenced his studies in South Africa before relocating to Australia in November 2008. He completed a Bachelor of Business degree at Edith Cowan University with a major in Accounting in November 2010 and commenced his career with a small firm in September 2010, working as an Undergraduate Accountant in their taxation department until leaving his employment to join the Audit Division at AMD in January 2012.

Ray has also commenced with the Chartered Accountants Program in June 2011.



## Appendix 5 – Price Information



### PRICE SCHEDULE

	2011/2012	2012/2013	2013/2014
	\$	\$	\$
<b>Annual Audit Services</b>			
(a) Annual Audit Services (excluding GST)	\$18,800	\$18,800	\$19,600
(b) Disbursements Out of Pocket Expenses (Estimate 1)	\$9,000	\$9,000	9,000
(c) Number of Hours Allocated	116	116	116
<b>(d) Financial Management Systems Review</b>	\$7,800	N/A	N/A
(e) Disbursement Out of Pocket Expenses (Accommodation, Breakfast and Dinner x 2 nights)	\$1,000	N/A	N/A
(f) Number of Hours Allocated ("FMSR")	38	N/A	N/A
<b>TOTAL (Excluding GST)</b>	\$36,600	\$27,800	\$29,600
<b>10% GST</b>	\$3,660	\$2,780	\$2,860
<b>TOTAL (Including GST)</b>	\$40,260	\$30,580	\$32,460

#### Estimate 1

All direct costs will be on charged with no mark-ups. For the purpose of estimating above we have estimated two audit team members visiting on site for 2 days to complete the interim audit with disbursements including, car hire or taxis (from airport/hotel/Council offices), flights and 3 nights accommodation (including breakfast and dinner). We have allowed for two audit team members to visit for 3 days on site for the final visit, including 4 nights accommodation (including dinner and breakfast), flights and car hire or taxis. Actual nights accommodation required will be dependant upon flight times and availability.

Quote obtained as at 7<sup>th</sup> May 2012 indicated hotel rooms will cost \$300 to \$400 per night subject to availability, return flight of \$1,300 per person which represents majority of disbursement costs within "Estimate 1" above.

## ATTACHMENT 2 TO ITEM 7.1.1



Mr Ian Hill  
Acting Chief Executive Officer  
Town of Port Hedland  
Civic Centre  
McGregor St  
PORT HEDLAND WA

8 May 2012

10 Kings Park Road  
WEST PERTH WA 6005  
PO Box 570  
West Perth WA 6872  
T+ 61 8 9480 2000  
E+61 8 9322 7787  
E [info.wa@au.gt.com](mailto:info.wa@au.gt.com)  
W [www.grantthornton.com.au](http://www.grantthornton.com.au)

Dear Ian,

**PROVISION OF EXTERNAL AUDIT SERVICES – 78C1D438**

Thank you for the opportunity to provide our Offer in relation to the Provision of External Audit Services for the Town of Port Hedland ("the Town").

We have a proven track record of providing consistent high quality, proactive and cost effective audit services and are experts in working with Local Government Organisations.

In addition, we currently service a number of audit clients throughout the Pilbara.

Please find enclosed our Proposal for Audit Services document as well as this letter.

A copy of the price schedule is also outlined below,

	Fee (Total Fixed Lump Sum Price excluding GST \$)	Estimated Hours
Provision of Audit Services for the Town of Port Hedland for the year ended 30 June 2012	20,000	160
Provision of Audit Services for the Town of Port Hedland for the year ended 30 June 2013	21,500	160
Provision of Audit Services for the Town of Port Hedland am for the year ended 30 June 2014	23,500	160
Financial Management Systems review for 30 June 2012	8,000	60

Please note the above fees excluded GST and any disbursements such as travel are billed at cost. Please also note the above fee does not include the audit of grant acquittals which are billed at between \$500 and \$1,000 per grant acquittal (excluding GST) depending on the complexity and / or volume of transactions applicable to the acquittal.

Grant Thornton Australia Limited ABN 41 127 556 359

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Grant Thornton

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Our hourly rates for any services required outside the audit services listed above are;

	Hourly Rate
	\$
Partner	300
Manager	200
In Charge	160
Staff	100

Our service model is built around the quality of our people, and is based upon developing a close business relationship and working with you throughout the year to proactively deal with any audit issues as they arise. In summary, we provide:

- a **collaborative and proactive partnership** – our people are upfront and friendly, and focused on excellent communication;
- **technical expertise** – a breadth and depth of knowledge, capabilities, support resources and tools to deliver the services you require; and
- a cost effective **value added service**.

We are confident in our ability to meet your audit needs and look forward to building a long-term relationship with the Town. Please do not hesitate to contact me if you have any queries regarding the above or our tender proposal.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

Michelle Spain  
Associate Director – Audit & Assurance



# Town of Port Hedland

Audit Services for the Town of Port Hedland



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Town of Port Hedland

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Appendix 1 – Key Personnel

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Appendix 2 – Auditor Registration

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#### A. Why Grant Thornton

Thank you for the opportunity to provide our proposal in relation to being appointed as auditors of the Town of Port Hedland. We have a proven track record of providing consistent high quality, proactive and cost effective audit services.

Our firm is one of the oldest established firms of accountants in Western Australia and has a reputation for providing clients with quality service on a timely basis. Grant Thornton is one of the largest accounting firms in Australia and fifth largest international accounting firm.

The firm has 14 partners and 130 employees in WA, of whom 40 are involved full time on audit and corporate services.

There are a number of clear advantages to be gained by having Grant Thornton as the auditors of the Town:

<b>"Proven Track Record"</b>	<ul style="list-style-type: none"> <li>A focus on providing personalised quality service to our clients.</li> <li>We will meet the Town's deadline for issuing our audit opinion.</li> <li>Demonstrated ability to work successfully with local government authorities.</li> </ul>
<b>"Understanding the Industry"</b>	<ul style="list-style-type: none"> <li>A strong association with many Local Government clients across Australia.</li> <li>Our team has extensive knowledge and experience of local government issues.</li> <li>An in-depth knowledge of the operations and management of local government authorities.</li> <li>A public sector division established to focus on issues specific in nature to the public sector.</li> </ul>
<b>"Specialist Service Team"</b>	<ul style="list-style-type: none"> <li>Demonstrated knowledge of the Local Government Act and its Regulations.</li> <li>Access to the latest accounting issues that may impact on the Town.</li> </ul>
<b>"Audit Approach"</b>	<ul style="list-style-type: none"> <li>Audit is focused on risk exposures to the Town.</li> <li>Heavy emphasis on adding value to the Town's operations.</li> <li>We offer an in-depth review of management practices.</li> <li>All communication is done on a timely basis.</li> <li>A strong commitment to quality.</li> <li>Where possible we will benchmark the Town's operations against other Councils.</li> </ul>
<b>"Technology"</b> <b>"Our Cost to You"</b>	<ul style="list-style-type: none"> <li>Intensive use of technology to maximise efficiency and assurance.</li> <li>We deliver exceptional value whilst bringing you best practice and a focus on risk.</li> </ul>

The Grant Thornton professional team will work with the Town's staff to ensure that the provision of quality audit services is carried out in a timely and efficient manner and with your complete knowledge at all times.

We are currently the auditors of the Cities' of Perth, Fremantle, Stirling, Joondalup, Rockingham, Greater Geraldton, Albany the Town of Kwinana, and several regional Councils including the Mandurah Regional Council. We have previously conducted internal audit assignments for the City of Stirling and undertaken special assignments such as an in-depth management review of the City of Stirling, Town of Kwinana and the City of Armadale.

The Office of the Auditor General has engaged us to conduct the external audit of a significant number of government agencies.

#### **A.1 High Quality Service and Deliverables**

Our approach is based on a quality service methodology, which relies upon our thorough understanding of the Town's operations.

We believe the key to a successful relationship is communication. Communication plays a significant part in our approach, specifically:

- Our senior staff are always available to discuss any matters with the Town.
- We will establish clear communication lines with management and all relevant parties.
- Our team will ensure we address enquiries to the right people in each area we are reviewing thereby minimising disruption to the Town.
- Issues will be brought to your attention immediately as they arise. We will work with you to resolve issues in a professional and commercial manner.
- Any "material items" noted during the course of our audit will be reported via a 'Management Report.'

#### **A.2 Organisational Profile**

Bentleys and Hall Chadwick merged accounting practices in July 2005 and in 2008 became the Grant Thornton Perth office. The combination of these two firms created a firm which is one of the oldest established firms of accountants in Western Australia and has and will continue to have a reputation for providing clients with quality service on a timely basis.

*Grant Thornton now has the largest audit client base of the second tier accounting firms in Western Australia.*

Our audit team has also provided information technology consulting services to a range of government and private organisations.

Town of Port Hedland

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**B Some of our valued clients**

Town of Port Hedland

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## C Your Requirements

### C.1 Objectives and Scope of the Audit

At the conclusion of our audit work, we will issue our opinion as to whether the Town's accounts are properly kept and its financial report is presented fairly in accordance with the requirements of the Local Government Act 1995, Local Government (Financial Management) Regulations 1996 (as amended), Australian Accounting standards, other mandatory professional reporting requirements and the Town's internal processes and Corporate Procedures.

We are required pursuant to the Tender to provide the following:

- Financial Statements audits- to ensure the financial statements comply with accounting standards and the Local Government Act.
- Audit Certificates and Reports – to prepare and audit all necessary certificates as required by the Council. This includes the audit of various acquittal audits.

### C.2 Audit Methodology and Approach

We confirm that our audit will be undertaken in accordance with Australian Auditing Standards and Auditing Guidance Statements adopted by the Australian Society of Certified Practising Accountants and the Institute of Chartered Accountants in Australia and will comply with the requirements of section 7.9 of the Local Government Act 1995, the Local Government (Audit) Regulations 1996.

### C.3 Our Intended Approach

Based on our understanding of local government authorities and a review of the most recent financial statements, we have identified the following key areas of focus:

#### Income Statement - Checklist

Significant Auditable Area	Expected Audit Approach
Salary and Wage Costs	<ul style="list-style-type: none"> <li>• Sample testing of controls and transactions.</li> <li>• Documentation and testing of payroll system.</li> <li>• Analytical review.</li> </ul>
Other Expenditure: - Depreciation - Loss on sale of non-current assets - Insurances - Bad and Doubtful Debts - Other	<ul style="list-style-type: none"> <li>• Systems review and testing of key controls.</li> <li>• Testing a sample of payments to ensure appropriately approved and processed.</li> <li>• Analytical review.</li> </ul>
Materials and Contract expenditure	<ul style="list-style-type: none"> <li>• Review the Contracts Register Procedures.</li> <li>• Test expenditure based on materiality for compliance with the Act and its regulations.</li> <li>• Review relevant legal documentation.</li> </ul>
Rates Revenue	<ul style="list-style-type: none"> <li>• Systems review of receipting and testing of key controls.</li> <li>• Test sample of Rate Notices to ensure GRV is correct.</li> <li>• Test posting to General Ledger.</li> <li>• Ensure (where applicable) late penalties imposed.</li> <li>• Ensure that exempt land and specified area rates have been properly approved and in accordance with the Act.</li> </ul>



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<b>Other Revenues:</b> <ul style="list-style-type: none"><li>- Profit on Sale of non-current assets</li><li>- Third Party revenue collection (e.g.: FESA)</li><li>- Other Revenue</li></ul>	<ul style="list-style-type: none"><li>▪ Documentation and testing of receivables system.</li><li>▪ Analytical review of balances.</li><li>▪ Trading activities - conduct analytical review and tests of the control environment.</li></ul>
<b>Government Grants and Subsidies</b>	<ul style="list-style-type: none"><li>▪ Systems review of receipting and testing of controls.</li><li>▪ Acquit expenditure and ensure it is in accordance with the terms and conditions of the Grant.</li></ul>

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**Balance Sheet - Checklist**

Significant Auditable Area	Expected Audit Approach
Cash Assets: Bank and Short Term Investments	<ul style="list-style-type: none"> <li>Analytical review.</li> <li>Verify compliance with the Council's Investment policy.</li> <li>Review of bank reconciliations.</li> <li>Confirmation of balances.</li> <li>Review classification of restricted cash assets.</li> </ul>
Accounts Receivable (Current and Non Current) and prepayments	<ul style="list-style-type: none"> <li>Analytical review.</li> <li>Cut off testing.</li> <li>Confirmation of significant balances.</li> <li>Review collection procedures, including infringement notices.</li> </ul>
Financial Assets	<ul style="list-style-type: none"> <li>Verify compliance with the Council's Investment policy.</li> <li>Review classification and valuation given available market evidence.</li> </ul>
Inventories	<ul style="list-style-type: none"> <li>Analytical review.</li> <li>Documentation and testing of inventory system.</li> </ul>
Property, plant, furniture and equipment	<ul style="list-style-type: none"> <li>Systems review and testing of key controls.</li> <li>Testing of significant additions and disposals.</li> <li>Analytical review of balances.</li> <li>Depreciation rates reviewed.</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>Ensure invoices raised relating to capital expenditure are not expensed.</li> </ul>
Depreciation	<ul style="list-style-type: none"> <li>Review Council's Policy on capitalising infrastructure assets.</li> <li>Review of valuation of land and buildings.</li> <li>Council approval obtained for acquisitions and disposals.</li> <li>Verification of the fixed assets registers and ensures that it operates in accordance with the regulations.</li> </ul>
Creditors and Accruals	<ul style="list-style-type: none"> <li>Analytical review.</li> <li>Cut off testing.</li> <li>Search for omitted liabilities.</li> </ul>
Provision for annual and long service leave entitlements	<ul style="list-style-type: none"> <li>Analytical review.</li> <li>Testing of significant balances.</li> <li>Re-perform calculations where appropriate.</li> </ul>
Loans and Borrowings including new loans raised	<ul style="list-style-type: none"> <li>Third party confirmation.</li> <li>Verification of interest paid and accrued.</li> </ul>
Reserve funds	<ul style="list-style-type: none"> <li>Analytical review.</li> <li>Verify compliance with the Council's policy</li> <li>Confirmation of balances.</li> <li>Review classification of restricted/unrestricted accounts.</li> </ul>
Contingent Liabilities	<ul style="list-style-type: none"> <li>Verification of amounts</li> <li>Search for omitted liabilities.</li> </ul>
Capital Commitments	<ul style="list-style-type: none"> <li>Ensure policies and procedures have been followed and review for reasonableness and accuracy.</li> </ul>

**Other Audit Work - Checklist**

Significant Auditable Area	Expected Audit Approach
Budgets	<ul style="list-style-type: none"> <li>▪ Ensure budgets are properly prepared and approved in accordance with the Local Government Act.</li> <li>▪ Review actual revenue and expenditure against expected results.</li> <li>▪ Review the Council's published budget to identify any areas that may be inconsistent with prior years and alert the Council to these matters.</li> </ul>
Compliance with Financial Management Regulations	<ul style="list-style-type: none"> <li>▪ Ensure that the Council has completed its Statutory Compliance Return.</li> <li>▪ All necessary Registers have been maintained.</li> <li>▪ Confirm that disclosures in the annual budget and financial report are in accordance with Regulations.</li> </ul>
Compliance with Australian Accounting Standards (Accounting Policies and Notes to the Financial Statements)	<ul style="list-style-type: none"> <li>▪ Ensure compliance with the requirements of Australian Accounting Standards.</li> </ul>
Internal Audit Function	<ul style="list-style-type: none"> <li>▪ Where possible we will rely on the work undertaken by the internal audit division.</li> </ul>

**D Ability to comply with the Town's Audit Timetable**

It would be our intention to conduct the audit of the Town in two visits. An annual interim visit is to be held between April and June with the timing as agreed by management and a final visit with timing as agreed by management. In addition, if desired, we can hold an Entrance Interview and Exit Interview with the Town and attend Audit Committee meetings as required.

It should also be noted that our senior staff are available at any time of the year to discuss any matters of concern that may arise or to be used as a sounding board with suggested accounting treatments.

**D.1 Interim Visit**

Our interim visit will pay particular attention to reviewing the internal control and systems and completing our Local Government checklist to establish that the Town is complying with all relevant legislation. We will also conduct a review of the process adopted by the Council with regard to the preparation of the year-end financial statements and will advise at this stage any work papers or schedules we may require at our final visit.

**D.2 Final Visit**

Our final audit visit will concentrate on the auditing of the financial statements and verification of balance sheet items, updating our controls testing work to ensure all controls we are relying upon continued to work satisfactorily and completing our analytical review of the Town's operations. Audit verification includes ensuring full and proper disclosure of all relevant matters.

Before completing our visit all matters of significance will be brought to the Town's attention and resolution. We at Grant Thornton believe in no surprises and any matters identified will be communicated to the Town as soon as possible so that the matter can be quickly resolved.

**D.3 Exit Interview**

Following the completion of our review and other quality control procedures, we will then hold our Exit interview and discuss the findings of the audit, discuss any areas that we may improve the performance of our audit, and start our planning for next year.

**D.4 Reporting**

We acknowledge our obligations pursuant to section 7.9 of the Local Government Act 1995 with regard to the issuing of a management report. Before formally issuing management reports, it is our policy to discuss with the relevant personnel our findings so that we may confirm our observations and to allow the relevant personnel the opportunity to present other information that we may not have considered nor had prior access to. We believe in "no surprises" and strive to ensure that all senior management is fully aware of our findings and recommendations before they are formally presented. In addition as part of our audit we will actively seek opportunities to add value to the Town's processes.

**D.5 Compliance audit & Grant acquittals**

We will perform the necessary audit examinations to confirm compliance with all acceptable legislation and Council policies governing the Town's activities and the operation of different Funds maintained by the Town, and for Funding bodies advancing Grant Funding to the Town. These audits and acquittals will be conducted at a time as arranged with the Management of the Town.

**E Ability to Perform and Demonstrated Experience**

Our firm has extensive experience in the provision of a variety of audit and audit related services to the public and private sectors.

In particular, we have extensive knowledge and understanding of the Local Government legislation and the various systems in place through our experience on the audits of the following:

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Town of Port Hedland

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External Audit Services To Local Government	
▪ City of Perth*	▪ City of Cockburn*
▪ Western Australian Local Government Association ("WALGA").*	▪ City of Rockingham*
▪ City of Fremantle*	▪ Shire of Derby/West Kimberley
▪ City of Stirling*	▪ City of Bunbury*
▪ City of Joondalup*	▪ City of Nedlands - Internal Audit
▪ City of Greater Geraldton *	▪ Cue Shire Council
▪ City of Albany*	▪ Town of Claremont
▪ Mandarie Regional Council*	▪ City of Wanneroo*
▪ Town of Kwinana*	▪ Shire of Roebourne*
▪ Pilbara Regional Council	▪ Shire of Wiluna

\* Currently audited by Grant Thornton

Grant Thornton is a significant audit practice and conducts the external audits of ASX listed companies, public unlisted companies, large private companies and numerous other entities.

Further, we are contracted by the Office of the Auditor General to undertake the external audit of 34 government agencies.

Also, our public sector assurance division undertakes the internal auditor function for a number of government agencies and is also recognised for providing "probity auditor" services.

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**Referees**

Current Client	Referees / Contact name	Contact Number	Email
City of Perth	Mr Ian Berry Manager Corporate Services	(08) 9461 3333	Ian.Berry@cityofperth.wa.gov.au
City of Fremantle	Mr Alan Carmichael Manager Finance & Administration	(08) 9432 9715	alanc@fremantle.wa.gov.au

**E.1 Qualification to Conduct Local Government Audits****Mr Michael Hillgrove FCA (Partner) – Registered Company Auditor (No.: 16037).**

Michael is the Partner in charge of Grant Thornton's Public Sector Assurance Division and has over 20 years audit experience. Michael is responsible for the audits of local government entities including the City of Perth, Cockburn, Fremantle, Canning and Joondalup and the Town of Kwinana.

**Mr Patrick Warr FCPA (Partner) – Registered Company Auditor (No.: 302461).**

Patrick is a qualified accountant and has in excess of 25 years' experience. Over this period he has audited numerous local government shires and several councils and is the QA audit Partner for local government entities.

**Ms Michelle Spain CA (Associate Director) – Registered Company Auditor (No.: 405213)**

Michelle is a qualified accountant and has over 12 years' experience. Michelle is involved in the audits of the City of Perth, City of Stirling, City of Fremantle, City of Joondalup, City of Greater Geraldton, Shire of Roebourne, City of Rockingham, City of Albany and the Western Australian Local Government Association ('WALGA'). Michelle has extensive experience in Local Government and is well experienced with the issues and concerns facing Local Government.

**Alternative Staff**

We have a pool of staff experienced in the audits of local government and should thus be able to provide experienced replacement staff should any member of the nominated team be unavailable.

**F Technical Expertise**

Grant Thornton is the largest audit practice outside the big four international practices in Perth. This ensures we have a high level of technical expertise. Further, audit staff have significant audit experience. As qualified accountants, all professional staff are obliged to undertake continual professional development within the requirements of their professional bodies.

Grant Thornton provides extensive technical internal and external training to its professional staff. Quarterly accounting updates are also provided to all staff to ensure that staff's technical knowledge is kept up-to-date with any changes in accounting standards.

Grant Thornton Perth and Grant Thornton National (every capital city) shares its technical expertise and meet on an annual basis for a professional development week.

All Grant Thornton auditors are provided with laptops, latest software packages and mobile phones to ensure they operate in an efficient manner and are accessible at all times.

**F.1 Fees for Other Audits and Ad Hoc Advice**

Please refer to the attached price schedule for our fee estimate.

Additional audit services can be provided on a quotation basis, pursuant to part G of this Attachment.

We are happy to advise that there will be no additional charges for general support provided throughout the year; at Grant Thornton we recognise that as your auditor it is important that you view us as the point of first call for financial advice, feedback and direction. All of our staff will be available during the entire year to assist with any enquiries, which will be at no additional cost.

**G. Services**

Grant Thornton offers many specialist accounting services. Other services we can provide are as follows:

- Probity Audits
- Taxation and Business Services – GST and FBT
- Business Recovery and Insolvency Services
- Property Services – Feasibility Studies
- Information Systems Reviews
- Management Reviews
- Preparation of Business Plans
- Risk Management Reviews

Grant Thornton Audit and Corporate Services Division's experience is extensive. Years of practice in providing clients with these services has enabled our firm to develop the most effective audit systems and the best corporate and consultancy resources to enable us to offer a broad range of quality services to our clients. An outline of our other services follows.

**G.1 Probity Audits**

Grant Thornton has extensive experience in undertaking probity audits. Typically these types of “targeted audits” have been used by our clients to obtain assurance that there has been compliance with regulation guidelines and best practice principals. Such audits provide objective, independent views on the processes of projects and serves to minimise problems and ensure the process is both transparent and equitable and the final decision defensible.

**G.2 Internal Audits**

Grant Thornton can undertake internal audits or assist clients to set up internal audit functions. The internal audit services include:

- Strategic audit Planning
- Risk Assessment and Management
- Systems Based Audits
- Operational/Performance Audits
- Information Systems Audits
- Accounting Manuals
- Fraud Investigations
- Business Resumption Planning

**G.3 Information Systems Audits**

With sophisticated software packages, specialized methodologies and experienced staff. Grant Thornton can audit information systems, review computer security, and appraise general and application controls. Audit involvement in the development of new systems in a cost-effective service that minimises the risks of errors and failures in new systems.

**G.4 Taxation**

We can provide a full range of taxation services including guidance on difficult issues relating to Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). We have previously conducted reviews on behalf of local government authorities to ensure that fringe benefits tax is correctly computed and not over or under paid.



**H. Other Matters****H.1 Insurance Coverage**

We provide the following details of our insurance coverage:

	Insurer	Policy Number	Insured Amount \$	Expiry Date
Public Liability	CGU Insurance Ltd	10M 3599654	50,000,000	30 June 12
Professional Indemnity	QBE Casualty Syndicate 388	11P1245737EA/11P245738FA	20,000,000	30 April 12*
Workers' Compensation	CGU Insurance Ltd	O/02-6262	50,000,000	30 June 12

\* Awaiting details of new policy.

**H.2 Quality Assurance and Quality Management****Audit Methodology**

As part of Grant Thornton International (GTI), our firm utilises GTI's world-class globally developed and supported Horizon® audit methodology.

All GTI firms throughout the world are required to apply the Horizon® methodology to all audit engagements to ensure all audit work is carried out to the highest standards.

The methodology is fully compliant with and has been benchmarked to, both international standards on auditing and all Australian equivalents thereto. It is a risk and assertion driven methodology which concentrates the audit process on key business and financial reporting risks and ensures full review of the client continuance and planning procedures at the commencement of the assignment.

The methodology is delivered via GTI's proprietary software system known as Voyager. Although based on international delivery templates to ensure global consistency, the approach is modified to ensure all local statutory and other requirements are fully met. GTI has spent many millions of dollars to deliver Voyager which will arguably be the world's leading platform for the delivery of high quality, integrated assurance services.

The quality assurance practices within Horizon® and Voyager are based on ISQC1 and the equivalent Australian professional statement APES320. This ensures that the key elements of a system of quality control are embedded into everything that we do.

**Internal Procedures**

In addition, the firm has rigorous internal procedures for quality control which include:

**Quality Assurance Procedures**

Appropriate staff selection procedures and professional development programmes for staff at all levels;  
Comprehensive training of staff through national Grant Thornton induction programmes and on-going formal training at all levels through Grant Thornton nationally and the Institute of Chartered Accountants in Australia.  
Close supervision of staff on the job;  
Partner and Manager detailed reviews of all work; and  
Strict procedures for maintaining client confidentiality

**H.3 Outcome of an External Quality Review Conducted**

As part of Grant Thornton International, all Grant Thornton member firms are subject to numerous quality control reviews.

In addition to our internal firm review which is concentrated on compliance with APES320 quality control processes, we are also reviewed regularly by both Grant Thornton Australia and by Grant Thornton International to ensure compliance with GTI's global quality practices. This includes the selection of a variety of files to test check work quality.

We are also subject to review by the Australian Securities and Investments Commission and the Institute of Chartered Accountants in Australia. The National and International approach to audit methodology and quality procedures was very well regarded by ASIC.

In our last review by the Institute of Chartered Accountants minor remedial action was recommended by the reviewer and these recommendations have now been implemented to address the matters raised. The reviewer in his report concluded that - "Notwithstanding these comments (re remedial action) the practice is to be commended for its approach to quality control and the provision of quality client services".

**H.4 Conflict of Interest**

Our firm would have no conflict of interest in undertaking this assignment. Should a situation arise that may lead to a conflict of interest the matter would be raised with you so that proper procedures could be put in place to ensure the matter was appropriately dealt with. We have no other contracts with the Town.

**I Financial Ability and Resources**

Grant Thornton Audit Pty Ltd is a wholly owned subsidiary of Grant Thornton Australia Limited. Audited financial statements of Grant Thornton Australia Limited are available upon request.

**Appendix 1 – Key Personnel****Michael Hillgrove**

Michael is the auditor or advisor to a number of local government authorities including:

- |   |                     |
|---|---------------------|
| ▪ Western Australian Local Government Association ("WALGA") | ▪ City of Perth     |
| ▪ City of Fremantle   | ▪ City of Joondalup |
| ▪ City of Stirling  | ▪ City of Canning   |
| ▪ City of Nedlands – Internal Audit                         | ▪ Town of Kwinana   |
| ▪ City of Cockburn  | ▪ City of Bunbury   |

Michael joined Grant Thornton in February 2001 and became a Partner on 1st January 2002.

*Experience*

Four years as Associate Director of Audit at the Office of the Auditor General from 1996 to December 2000.

Prior to this, Michael has held senior manager positions at leading accounting firms in the assurance, corporate services and reconstruction divisions being initially appointed audit manager at Deloitte in 1987.

Michael has extensive audit experience across a broad spectrum of government Statutory Authorities and Departments including:

- Water Corporation, Water & Rivers Commission and the Western Australian Tourism Commission;
- Port Authorities including Fremantle, Port Hedland, Albany and Bunbury;
- A number of the State's Hospitals and Development Commissions;
- Local Government Audits including the City of Perth, City of Joondalup, City of Stirling, Western Australian Local Government Association ("WALGA");
- The State's Transport Sector including the Department of Transport, Westrail, Main Roads (WA) and Metrobus; and
- The State's Land sector agencies including the Department of Land Administration, Landcorp, the Redevelopment Authorities of Midland, East Perth and Subiaco and the Ministry of Planning.

With Michael's experience comes an in depth knowledge of the State's Financial Administration and Audit Act and Treasurer's Instructions together with a strong awareness of many Statutory Authorities enabling legislation. In addition, his understanding has been further enhanced by being involved on numerous public sector agencies committees' internal audit.

*Qualifications*

- Bachelor of Business - Curtin University
- Chartered Accountant (ACA)
- Registered Company Auditor
- Member of the Institute of Internal Auditors

**Patrick Warr**

Patrick is qualified accountant whom has in excess of twenty five years professional experience gained in the public and private sector, within Australia and overseas. He commenced his career as an auditor with the Office of the Auditor General (WA) and during his seven years employment was promoted to Audit Manager.

To enhance his experience Patrick undertook several commercial accounting roles over a seven year period before re-entering public practice. He has focused on developing consultancy and external and internal auditing, probity auditing and general consultancy over the last five years. He has conducted risk assessments and corporate governance reviews on behalf of the Australian Agency for International Development (AusAID), general corporate governance reviews for ASX listed companies, internal and external audits of public and private companies, government agencies and not for profit entities and ad-hoc assignments.

He has extensive WA public sector audit experience and currently plans, monitors and reviews and liaises with OAG for existing contracted audits. Other clients include:

- |                                 |                                |
|---------------------------------|--------------------------------|
| ▪ Mercy Community Services Inc. | ▪ Main Roads WA                |
| ▪ Public Transport Authority    | ▪ Eastland Medical Systems Ltd |
| ▪ Educational Institutions (12) | ▪ i.d. Entity WA               |
| ▪ Landcorp                      | ▪ Medical Corporation Ltd      |
| ▪ Office of the Auditor General | ▪ Mercy Hospital Mount Lawley  |
| ▪ City of Geraldton-Greenough   | ▪ Transerv Ltd                 |
| ▪ Rand Mining NL                | ▪ City of Albany               |

*Professional Qualifications and Appointments*

- Bachelor of Business (Curtin University)
- Fellow CPA/ Affiliate Institute of Chartered Accountants
- Registered Company Auditor
- Registered Tax Agent

Town of Port Hedland

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**Michelle Spain**

Michelle joined Grant Thornton in 2000, being appointed to Associate Director in 2010 and has worked on a wide variety of audits (both internal and external) including:

- |                             |   |
|-----------------------------|---|
| ▪ City of Fremantle         | ▪ City of Greater Geraldton                               |
| ▪ City of Perth             | ▪ Broad Group Holdings Pty Ltd                            |
| ▪ City of Joondalup         | ▪ Strathearn Insurance Brokers                            |
| ▪ City of Stirling          | ▪ Mandarie Regional Council                               |
| ▪ City of Albany            | ▪ Western Australian Local Government Association (WALGA) |
| ▪ University Credit Society | ▪ City of Rockingham                                      |
| ▪ Shire of Roebourne        | ▪ Shire of Wiluna   |

Michelle has been involved in all aspects of an audit from reviewing systems and control environments, to assessing organisational risks and compliance.

**Professional Qualifications**

- Member, Institute of Chartered Accountants in Australia
- Bachelor of Science - Curtin University
- Bachelor of Commerce - Curtin University
- Registered Company Auditor

Town of Port Hedland

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## Appendix 2 – Auditor Registration



**ASIC**  
Australian Securities & Investments Commission

**Professional Registers**  
Registered Auditors

[SEARCH AGAIN](#)

Extracted from ASIC's database at AEST 14:12:52 on 01/09/2009

Auditor No	Details	
<a href="#">302461</a>	<b>Name</b>	WARR, Patrick William
	<b>Address</b>	Grant Thornton (Wa) Partnership, Level 1, 10 Kings Park Road, West Perth, WA, 6005
	<b>Commenced</b>	20/05/2006



**ASIC**  
Australian Securities & Investments Commission

**Professional Registers**  
Registered Auditors

[SEARCH AGAIN](#)

Extracted from ASIC's database at AEST 14:15:04 on 01/09/2009

Auditor No	Details	
<a href="#">16017</a>	<b>Name</b>	HILL GROVE, Michael James
	<b>Address</b>	Grant Thornton (Wa) Partnership, Level 1, 10 Kings Park Road, West Perth, WA, 6005
	<b>Commenced</b>	19/06/1992



**ASIC**  
Australian Securities & Investments Commission

**Professional Registers**  
Registered Auditors

[SEARCH AGAIN](#)

Extracted from ASIC's database at AEST 18:00:12 on 28/11/2011

Auditor No	Details	
<a href="#">85211</a>	<b>Name</b>	SPARK, Michelle Julie
	<b>Address</b>	Grant Thornton, Level 1, 10 Kings Park Road, West Perth, WA, 6005
	<b>Commenced</b>	14/05/2011

## ATTACHMENT 3 TO ITEM 7.1.1



8 May 2012

Mr P Martin  
Chief Executive Officer  
Town of Port Hedland  
PO Box 41  
PORT HEDLAND WA 6721

Dear Paul

**QUOTATION  
PROVISION OF AUDIT SERVICES**

We are pleased to submit our quotation for the supply of audit services to the Town of Port Hedland for the three years commencing 1 July 2011.

We believe that the detail contained in our profile, along with the information provided in this letter, will demonstrate our experience, expertise, commitment and long term involvement in the provision of audit and related services to local government within Western Australia.

**Superior Service**

UHY Haines Norton has WALGA preferred supplier status and is able to offer a complete audit team with considerable depth of experience, expertise and knowledge of the local government industry in Western Australia. This means we are able to provide an efficient and effective audit process. All staff who would be involved in the audit will be sourced from our dedicated local government service team and all have had experience over a significant number of years and engagements.

It is not by accident we have been appointed to the WALGA audit panel. The appointment followed a rigorous due diligence process which considered our expertise, experience and ability to deliver a quality service to the local government industry in Western Australia for close to the last two decades. Those who were not included on the panel were left off for good reason.

We also believe our experience and the service we are able to provide is superior to that of our competitors. Our methodology considers all aspects of local government financial systems including an in depth review of compliance with Part 6 of the Act, the Financial Management Regulations and best practice.

We are currently the appointed auditor of your Town and have been for a number of years. Staff members from your Town also attend our annual workshop series. Consequently, we are confident you have had first hand experience of the high level of service, expertise and commitment we are able to deliver.

**Fees**

Not all audits are the same and like many other professional services, you get what you pay for.

Not only are we WALGA preferred suppliers, but due to the nature of our client base, we are subject to a rigorous regulation process by the Australian Securities and Investments Commission (ASIC). Many of our competitors are not subject to this rigorous regulation and as a consequence, do not have the quality systems and processes we are required to have.

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f: +61 (0)8 9444 3430

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PO Box 1707 Osborne Park WA 6916

e: perth@uhyhn.com.au  
w: www.uhyhn.com

A network of independent firms in Australia and New Zealand and a member of Urbach Hacker Young International Limited, an international network of independent accounting and consulting firms

UHY Haines Norton - ABN 87 345 233 205

Liability limited by a scheme approved under Professional Standards Legislation



**Fees (Continued)**

Our fee quotes for the provision of audit services are as follows:

<b>Annual Financial Report</b>		<b>Fee Quote</b>	<b>Applicable GST</b>	<b>Total (GST Inclusive)</b>
		\$	\$	\$
Year ended -	30 June 2012	25,000	2,500	27,500
	30 June 2013	26,000	2,600	28,600
	30 June 2014	27,000	2,700	29,700
<b>Financial Management Review</b>				
	2012	8,000	800	8,800
	2013	8,500	850	9,350
	2014	9,000	900	9,900

In addition, reasonable out-of-pocket travel, accommodation, living and incidental expenses (based on our internal "Travel Expenses Policy") will be invoiced at cost to the Town. Travel expenses will only include out-of-pocket costs and will not include the time cost involved.

The above fees are also based on the nature of this engagement being "clean" and on the assumption all information requirements are met (prior to our year end visit an information requirements letter is sent). They also assume no major accounting or system weaknesses are encountered which would require any abnormal additional investigation and testing.

Should engagement conditions vary or the level of operations of the Town vary significantly from those upon which we have based our quotation, we reserve the right to renegotiate the fee for any given year (subject to mutual agreement). An example of this would be the mandating of the application of fair value accounting. The additional audit procedures required (particularly in relation to Year 1 and the road infrastructure network) would be reasonably significant.

Please note, the fees quoted do not necessarily include any fee associated with the engagement partner meeting with the audit committee as this is dependent on the particular forum adopted each year. This fee will be subject to separate negotiation once the manner of the meeting is determined each year. As a minimum, a fee of \$500 applies for preparation and telephone attendance.

If satisfactory to Council, we would propose the fee be billed in two equal instalments, after our interim visit and following completion (sign off) of each year's audit.

Any additional work in the form of accounting assistance or other services outside the scope of the audit function will be subject to a separate fee to be agreed upon with you prior to the work being undertaken.

**Certifications/Acquittals (including Roads to Recovery and Pensioner Deferred Rates)**

Other certifications/acquittals are considered to be outside the scope of our normal audit function as both the number and the scope of work varies significantly from acquittal and from year to year.

If all details are prepared for us and we are able to complete with a minimum of fuss, our charges typically fall in the \$600 to \$1,000 (GST exclusive) range per certification/acquittal (at current indicative rates).

**Value Added Services Specific to the Local Government Industry****Audit Liaison & Guidance**

Liaison on audit and accounting issues is not only provided free of charge during the year, it is encouraged. We believe by obtaining an answer when it is required, the Council will be more able to provide for an efficient audit process.

We also regularly provide the industry (all local governments) with newsletters containing comment and direction on topical issues.

**Model Financial Report, Model Budget and Annual Workshop**

A main ingredient of our local government support is our model financial report and model budget which is updated annually.

This has, over the past sixteen years, established a consistent guideline for local governments to follow in respect of statutory reporting obligations. An indication of its worth to the industry is in the number of authorities (clients and non clients) that have adopted the reporting formats it provides and the number who attend the course each year.



**Value Added Services Specific to the Local Government Industry (Continued)**

**Model Financial Report, Model Budget and Annual Workshop (Continued)**

This model also forms the basis of our annual workshop series. This addresses topical accounting issues, reporting amendments and provides a forum for local government accounting practitioners to obtain guidance on various accounting related matters.

In 2003 we also introduced a 'Nuts and Bolts' workshop which deals with fundamental local government accounting concepts and is aimed at entry level finance officers.

**GST, FBT and Salary Packaging Advice**

Our local government services division in conjunction with our tax consulting division is also able to provide detailed advice and assistance in the complex areas of GST, FBT and salary packaging. Such advice would be provided at applicable rates.

**Indicative Costs for Additional Services**

The hourly rate for additional services depend upon the level of advice required. It is difficult to commit a firm per hour price until the exact extent of the level of advice and work required is known.

As at 1 January 2012, indicative rates for this type of work are as follows:

	<b>Per Hour (GST exclusive) \$</b>
Partner	440 - 550
Manager	275
Senior	200
Intermediate	160
Graduate	120

We further undertake to provide an estimate of hours and staff level required based on the scope of each task prior to commencement in each instance.

**Qualification to Conduct Local Government Audits**

Should we be successful in obtaining the audit contract the following are the **qualified** partners of the firm to be nominated as auditors:

<b>Name</b>	<b>Registered Company Auditor Number</b>
<u>Engagement Partner</u> (either)	
Mr D J Tomasi	15724
Mr G Godwin	310219

Please note, UHY Haines Norton, Perth, a Perth based partnership ("the firm"), carries on business separately and independently from other UHY Haines Norton member firms around Australia and New Zealand and UHY member firms worldwide.

UHY Haines Norton is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for services provided by other members.

Should you require any clarification of the above information please contact me.

Yours faithfully



DAVID TOMASI  
PARTNER

Encl

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INTELLIGENT CHOICE • INTELLIGENT SOLUTIONS

**TOWN OF PORT HEDLAND**

**QUOTATION  
PROVISION OF AUDIT SERVICES  
MAY 2012**



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## 1. OUTLINE OF THE FIRM

UHY Haines Norton, Perth, is a respected firm of Chartered Accountants with divisions providing services in every aspect of a specialist accounting practice. UHY Haines Norton has, via its antecedent firms, provided extensive audit and consulting services to local government since 1993.

UHY Haines Norton is an association of independent firms in Australia and New Zealand. It is structured to share experience and resources for the benefit of our clients.

The member firms have operated for many decades and enjoy a continuity of staff and partners. The ANZ association is the Australian member of the international accounting network UHY International with 246 offices in 84 countries.

The Perth firm currently comprises 6 Partners and 40 staff.

The partners and staff combine experience gained in Australia and overseas both within the firm and from employment with major international accounting firms. Our philosophy is to provide informed professional advice and practical services and provide direct contact between the most senior members of our firm with the management groups of our clients.

As a consequence, we are able to offer services in the following specialist areas across the complete range of industry sectors:

- External and Internal Audits
- Accounting Advice and Assistance
- IT Solutions
- Accounting Advice and Assistance
- Income Tax Preparation and Planning Advice
- Tax Consulting – Business Advice
- GST and FBT advice
- Systems Review and Implementation
- Strategic Planning
- Succession Planning
- Budgeting and Cash Flow Analysis
- Management Consulting
- Financial Management and Organisational Planning

UHY Haines Norton, Perth, a Perth based partnership ("the Firm"), carries on business separately and independently from other UHY Haines Norton member firms around Australia and New Zealand and UHY member firms worldwide.

UHY Haines Norton is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for service provided by other members.

## 2. LOCAL GOVERNMENT EXPERIENCE

The firm is the largest auditor of local government in the State and for the year ended 30 June 2011 we were the incumbent auditors of the following fifty eight (58) local governments and regional councils:

Shire of Augusta-Margaret River	Shire of Moora
Shire of Boddington	Shire of Morawa
Shire of Bridgetown-Greenbushes	Shire of Mt Marshall
Shire of Brookton	Shire of Mullewa
Shire of Broome	Shire of Murray
Shire of Camarvon	Shire of Northam
Shire of Chapman Valley	Shire of Northampton
Shire of Chittering	Shire of Peppermint Grove
Shire of Christmas Island	Shire of Perenjori
Town of Claremont	Pilbara Regional Council
Shire of Cocos (Keeling) Islands	Town of Port Hedland
Shire of Coolgardie	Shire of Quairading
Shire of Coorow	Shire of Ravensthorpe
Shire of Corrigin	City of Rockingham
Town of Cottesloe	Shire of Sandstone
Shire of Derby-West Kimberley	Shire of Serpentine-Jarrahdale
Shire of Dundas	Shire of Shark Bay
Shire of Esperance	Southern Metropolitan Regional Council
Shire of Gingin	City of Subiaco
Shire of Gnowangerup	Shire of Three Springs
City of Gosnells	Shire of Toodyay
Shire of Halls Creek	Shire of Trayning
Shire of Irwin	Shire of Victoria Plains
City of Kalgoorlie-Boulder	Shire of Westonia
Shire of Kellerberrin	Shire of Wongan-Ballidu
Shire of Lake Grace	Shire of Wyndham-East Kimberley
Shire of Merredin	Shire of Wyalkatchem
Midwest Regional Council	Yarra Yarra Catchment Regional Council
Shire of Mingenew	Shire of Yilgarn

In the course of the past years we have also provided detailed Financial Management Review services to the majority of our audit clients and other local governments. These have included the Cities of Gosnells, Melville and Joondalup and the Towns of Bassendean and Vincent in the metropolitan area.

Over the past sixteen years, we have also conducted an annual workshop which in 2011 was attended by over one hundred (100) local governments from all over Western Australia. These workshops have addressed the Annual Financial Report, Budget, accounting standards, Infrastructure Assets, cashflow statements, ratio analysis, sustainability and various other topical accounting issues.

We have developed a model financial report and model budget which address all relevant disclosure requirements and attempt to establish a consistent guideline for local governments to follow. This report is updated annually as disclosure requirements are amended. In 2011, the model was purchased by in excess of one hundred and twenty (120) authorities statewide.

We also developed a strategy to assist local government with the implementation of GST. The firm has a dedicated tax task force to assist Councils in the complex areas of GST and FBT should they require and we have recently been appointed as the contract provider for WALGA's tax service.

**2. LOCAL GOVERNMENT EXPERIENCE (continued)**

Since November 1999, we have provided a remote accounting service to the Shires of Koorda and Leonora and in 2002 added the Shire of Menzies. In 2004/05 we added the Shires of Beverley and Murchison and more recently, the Shires of Laverton and Yalgoo. This service includes the provision of a full general ledger, monthly and quarterly accounts, principal activity plan, budget, annuals and general accounting assistance. The service has also developed its own suite of software and this is currently used by a number of other municipalities. This software contains a unique rating package we have developed on our own initiative and are presently in development of a new online general ledger to complement our current offering.

In addition to audit and accounting services, we have also provided extensive assistance to local government in the following areas during the past ten years.

- |                                    |                               |
|------------------------------------|-------------------------------|
| • Financial Management Reviews     | • GST & FBT Advice            |
| • Financial Report preparation     | • Statutory Compliance Audits |
| • Infrastructure Assets            | • Strategic Plans             |
| • AAS 27 implementation            | • Principal Activity Plan     |
| • Budget Conversion and assistance | • Business Plans              |

As an added service, we also produce and distribute newsletters and accounting updates which address topical issues.

We are a subscriber member of Local Government Managers Australia (LGMA) and an active participant in Institute events. We have been a principal sponsor of LGMA since the beginning of 2008 having previously been a major sponsor of the annual conference since 2000 as well as a major sponsor of other regional conferences and sporting events.

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**3. OTHER AUDIT EXPERIENCE**

In addition to our local government audits other significant audit engagements include:

**Listed Entities****ASX Listed**

- Aeris Environmental Limited (EQCR Duties)
- Nanosonics Limited (EQCR Duties)
- Pro-Pac Packaging Limited (EQCR Duties)

**NYSE Listed**

- Alloy Steel International Inc.

**AIM Listed**

- Herencia Resources Plc

**Public Entities**

- Cambridge Gulf Ltd
- Ord Irrigation Asset Mutual Co-operative Ltd
- Ord Irrigation Co-operative Ltd
- Ord River District Co-operative Ltd
- South Seas Abalone Ltd
- Stochastic Simulation Ltd

**Foreign Owned Entities**

- Champion Technologies Pty Ltd
- Link Project Services Pty Ltd
- Ovation SpectrumData Pty Ltd
- Rimex Wheel Pty Ltd
- Spectrum ASB Pty Ltd
- Survival Craft Inspectorate Australia Pty Ltd

**Significant Private Entities**

- A.D. Coote & Company (Sheetmetal) Pty Ltd
- Aegis Aged Care Group
- Flinders Financial Services Pty Ltd

**Significant Not for Profit Organisations**

- Ardyaloon Incorporated
- Broome Aboriginal Media Association
- Kimberley Land Council
- Living Stone Foundation Inc. (Lifeline)
- Milliya Rumurra Aboriginal Corporation
- Ngarluma & Yindjibarndi Foundation Ltd
- Western Australian Sporting Car Club Inc.
- Yawuru Native Title Holders Indigenous Land Corporation

Our base of audit clients and our experience in commercial enterprises gives us exposure to contemporary approaches in:

- Management;
- Data collection;
- Receivables and collection systems;
- Infrastructure asset recording and management; and
- Labour force management.

We offer the benefit of this exposure in our audit of systems and policies and deliver these benefits as part of our core service.



#### 4. AUDIT SCOPE/APPROACH

The audit of the Town will be carried out in accordance with Australian Auditing Standards, Auditing Guidance Statements, the Local Government Act 1995 ("the Act") and accompanying Regulations. Procedures are designed to ensure the requirements of your Specification and the Minimum Standard Audit Specification as per the Department of Local Government and Regional Development's Operational Guideline Number 9 are met. These include the critical audit areas as follows:

- |                                 |   |
|---------------------------------|---|
| • Revenue                       | • Financial Statements  |
| • Expenditure                   | • Statement of Cash Flows   |
| • Current Assets                | • Statutory Obligations   |
| • Investments                   | • Accounting Policies and Notes to the Financial Statements                                       |
| • Non Current Assets            | • Budget compliance with respect to timing, format and the previous year's final audited position |
| • Liabilities                   | • Financial ratios required by the Financial Management Regulations                               |
| • Reserve Funds                 | • GST /FBT Compliance   |
| • Contingent Assets/Liabilities |   |
| • Capital Commitments           |   |
| • Governance and Control        |   |

As part of these procedures we will undertake testing to:

1. Assist us in forming an opinion as to whether:
  - (a) the accounting records are reliable and adequate as a basis for the preparation of the financial statements;
  - (b) the accounts are properly kept;
  - (c) the annual financial report:
    - (i) is prepared in accordance with the financial records; and
    - (ii) represents fairly the results of the operations of the local government and the financial position of the local government at 30 June in accordance with:
      - *Australian Accounting Standards*
      - the *Local Government Act 1995* (as amended)
      - the *Local Government (Financial Management) Regulations 1996* (as amended); and
      - other mandatory professional reporting requirements.
  - (d) there are any material matters indicating a significant adverse trend in the financial position or the financial management practices of the Town; and
  - (e) there are any matters indicating non-compliance with Part 6 of the Local Government Act 1995 (as amended), the Local Government (Financial Management) Regulations 1996 (as amended) or applicable financial controls of any other written laws.
2. All bank and cash balances will be subject to third party confirmation and tests will be undertaken to ensure investments are made in accordance with legislation.
3. Examine the Town's receipting function and perform detailed testing as considered necessary;
4. Examine money owing to the Town including testing recoverability, follow up procedures and compliance with relevant legislation;
5. Review payment vouchers (including credit card transactions) and ensure appropriate procedures exist in respect to authorisation and payment of accounts as well as detailed testing as considered necessary;
6. Perform a review of controls surrounding payroll and staff leave records and perform detailed testing as deemed necessary;
7. Review of rating records including rate imposition, valuations, compliance with legislation and detailed testing as required;
8. Review all borrowing transactions to ensure they have been conducted in accordance with the Act.
9. Review reserve transactions to ensure compliance with the legislation;



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**4. AUDIT SCOPE/APPROACH (continued)**

10. Review asset register and perform testing on ownership, additions and depreciation calculations to determine accuracy and if in accordance with Town policies;
11. Review all transactions involving land and other property to ensure legislative requirements are complied with and the Town has right of occupancy;
12. Review agreements where the Town has leased land to third parties and help ensure compliance with relevant legislation in respect of them;
13. Review of the budget and related processes to ensure compliance with the Act and accompanying regulations;
14. Review of all minutes of Council meetings (and Committees if applicable) to help determine items of audit interest and compliance with the Act and accompanying regulations.
15. Examine tenders to ensure compliance with the Act and accompanying regulations;

It should be appreciated the areas detailed above are not exhaustive. Our audit procedures will examine other areas as deemed appropriate in order we can form an opinion on the financial statements of the Town and make comments in regard to the accounting systems and procedures in place.

Our final visit is scheduled to:

- be mutually convenient;
- be within 30 days of being advised the audit statements are available for audit (subject to mutually convenient travel arrangements); and
- enable you to meet your deadline (subject to your audit readiness).

Our exit interview will be performed at the conclusion of our audit field work.

We will also liaise with staff to ensure meetings with Council and/or the audit committee occur as required. Based on recent amendments to the Act and Regulations, this may be by electronic means.

Our audit fee is based on the current above-mentioned scope requirements. In the event of a significant change in the required scope the audit fee may be re-negotiated.

We require the Town to maintain adequate accounting records and prepare the annual financial report in accordance with applicable accounting standards.

We will send an audit requirements letter summarising our information requirements for the audit prior to our final visit.

Providing all necessary information is made available to us as required, we undertake to issue our audit report and management report by the required deadline (as determined each year) and further undertake to provide such reports to the Council and Minister as required.

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**5. AUDIT PLAN**

As previously discussed it is envisaged our audit will be conducted in two visits.

An interim visit in the March to May period of the year and a final visit once you are ready for our year end procedures. The ultimate goal is to ensure all procedures are completed by the required deadline in any given year.

Our audit procedures will also involve a planning phase which will be undertaken prior to or at the commencement of our interim procedures.

During our interim visit we will perform the bulk of our systems and compliance testing with a view to helping you correct any areas of non-compliance prior to year end.

Our year end procedures are mainly focused at substantively verifying year end balances and ensuring that disclosure requirements are met and the annual financial report is correctly stated. They will also include an update/follow up of systems and compliance issues investigated/raised during our interim visit.

Further information with respect to our audit methodology can be found at Appendix 2 of this proposal.

**6. HOURS**

Estimated hours for the audit are as follows:

<b>Interim Visit</b>		
Partner	5	
Manager/Supervisor/Senior/Intermediate/Graduate	42	(predominately on site)
Planning	2	
	---	
	49	
<b>Financial Management Review (To Coincide with Interim Visit)</b>		
Partner	4	
Manager/Supervisor	6	
Senior/Intermediate/Graduate	25	(predominately on site)
	---	
	35	
<b>Final Visit</b>		
Partner	10	
Manager/Supervisor/Senior/Intermediate/Graduate	70	(predominately on site)
Planning/Secretarial	2	
	---	
	82	
	---	
<b>Total Hours</b>	<b>166</b>	
	==	

It should be appreciated our audit team has a wealth of Local Government experience.

This is due largely to the wealth of local government experience provided by our service team and the fact the Engagement Partners are actively involved in the industry and fieldwork.

This experience when coupled with our service level, provides a very efficient and effective audit process.

**7. OUR LOCAL GOVERNMENT SERVICE TEAM**

As discussed previously, we believe that our commitment to delivering a high quality service to the local government industry is demonstrated by our wealth of experience and long term involvement.

Our approach is to ensure that all work is conducted by suitably qualified staff with a wealth of local government experience that cannot be matched by our competitors. We believe that such an approach makes for a more efficient audit process and provides the Town with a value for money, value added service.

The key members of our service team are introduced as follows:

**DAVID TOMASI – PARTNER - AUDIT & ASSURANCE**

David is Chairman of the Perth office as well as the Partner in charge of the Audit Division and Quality Control Leader. He is a Fellow of the Institute of Chartered Accountants and has been an auditor in public practice for more than twenty five years. During that time, he has gathered a broad range of experience across all industry sectors which included five years with a "big 4" accounting firm and twelve months in the UK. He has spent the last sixteen as a partner of the firm and its antecedents and has been a registered company auditor since 1990.

David has worked extensively on local government assignments since 1990 and is the partner responsible for the firm's audit and local government division. He pioneered the firm's involvement in the provision of high quality service to the local government industry in Western Australia by ensuring that the firm and its staff stay abreast of all developments.

He is currently the engagement partner on a significant number of the firm's local government audit and consulting engagements and was responsible for the development of the firm's methodology and approach in respect of Financial Management Reviews. He is also actively involved in fieldwork which allows him to develop a detailed working knowledge of operations and the industry as a whole.

David has also facilitated Strategic Plans at two local government authorities and has been involved in numerous special investigations and consulting engagements.

He has been a member of the DLGRD's Financial Reporting Working Party, which, amongst other things, was charged with the review of the Financial Management Regulations to ensure consistency with recent changes to Australian Accounting Standards (AIFRSs) and providing guidance on other financial reporting matters.

He is at the forefront of the firm's local government training program and has presented all of the firm's workshops during the past fifteen years. He is the immediate past Chairman of the UHY Haines Norton National Audit Committee and is currently Chairman of UHY International's Audit Special Interest Group.

In 2008, David assumed the role as Chairman of UHY Haines Norton's ANZ association and is responsible for ensuring the firm and the association continues to grow and keep pace with the ever changing requirements demanded from professional accounting service firms.

**INDUSTRY PAPERS PRESENTED:**

- Checking the Pulse – Understanding Audit Reports – Local Government Week – August 2002
- Accounting and Financial Issues in Asset Management – CPA Conference Sydney-April 2003
- ED125 – Proposed Changes to AAS27 – CPA Conference Perth – February 2004
- IFRS and Local Government – CPA Conference Perth – February 2005
- IFRS and Audit Committees – Departmental Conference Perth – April 2005
- IFRS – LGMA Finance Professionals Conference Fremantle – February 2006
- Understanding Cash Flow Statements - CPA Week - November 2006
- Impact of AIFRS on Non-Current Assets - CPA Week - November 2006
- Accounting and Statutory Update - LGMA Finance Professionals Conference Fremantle - February 2007
- Understanding Audit and Financial Reports - Northern Country Zone WALGA Conference – March 2007
- Understanding Cash Flow Statements - CPA Congress - May 2007
- Status of Local Government Accounting – LGMA Annual Conference – October 2008
- Audit and Accounting Update - LGMA Finance Professionals Conference Fremantle - February 2009
- Accounting Update – Institute of Chartered Accountants Darwin – March 2009
- Audit "Hit List" and Accounting Standard Update - LGMA Finance Professionals Conference Fremantle - February 2010
- Monthly Financial Reports – LGMA Finance Professionals – City of Melville – August 2010
- ROMAN II – An Auditors Perspective – IPWEA 2011 Public Works Training Week Conference – November 2011

**QUALIFICATIONS**

- Bachelor of Commerce
- Registered Company Auditor
- Chartered Accountant (Fellow)
- Registered Tax Agent

**7. OUR LOCAL GOVERNMENT SERVICE TEAM - (Continued)****GREG GODWIN – PARTNER – AUDIT & ASSURANCE**

Following his qualification from the University of Witwatersrand, Greg joined Myers Tennier & Co, a medium sized Chartered Accounting firm in Johannesburg where he worked for 5 years. During this time he passed all requirements and became a Chartered Accountant.

After leaving them, he worked in commerce before commencing his own practice Godwin & Co Chartered Accountants, in 1997.

Greg built his own firm into a successful ten person practice before migrating to Australia in 2005 to join UHY Haines Norton as an Audit Manager.

Since joining us, Greg has been admitted as an Australian Chartered Accountant and has had extensive exposure to the local government industry in Western Australia. Greg was admitted as a Partner of the firm on 1 July 2007.

He is currently the engagement Partner for approximately half of the firm's local government audit clients and has a number of corporate clients that add to his experience and skills.

**INDUSTRY PAPERS PRESENTED:**

- Understanding Cash Flow Statements – CPA Week – November 2007
- Understanding Cash Flow Statements – CPA Week – May 2008
- Understanding Cash Flow Statements – CPA Week – Nov 2008
- Understanding Cash Flow Statements – CPA Week – May 2009
- Understanding Cash Flow Statements – CPA Week – May 2010

**QUALIFICATIONS**

- Bachelor of Commerce and Accounting
- Chartered Accountant (Australia)
- Chartered Accountant (South Africa)
- Registered Company Auditor

**7. OUR LOCAL GOVERNMENT SERVICE TEAM - (Continued)****WEN-SHIEN CHAI – AUDIT MANAGER – LOCAL GOVERNMENT SERVICES**

Chai migrated to Australia from Malaysia at the end of 2002 after 8 years in various audit roles and was admitted as an Australian Chartered Accountant in 2008.

During his time in Australia, Chai has worked exclusively as an Audit Manager across a wide range of clients and industry groups.

Since joining UHY Haines Norton in May 2007, Chai has managed a varied client base which includes a significant number of regionally based local governments.

The wide audit experience gathered by Chai over the past 14 years adds further skills and experience to our audit team.

**QUALIFICATIONS**

- Bachelor of Business
- Chartered Accountant
- Association of Chartered Certified Accountants (ACCA) UK
- Registered Company Auditor

**THUSHARA WIJESIRI – AUDIT MANAGER - LOCAL GOVERNMENT SERVICES**

Thushara is a Sri Lankan Chartered Accountant who qualified in April 2002 and migrated to Australia in June 2007 after 9 years of professional experience. This included 7 years in the audit team at Ernst & Young.

Since his arrival in Australia, Thushara worked as an Audit Manager for just over 2 years before joining UHY Haines Norton in January 2010 as an Audit Manager.

His 12 years of experience (most of it in audit) both locally and overseas make Thushara a valuable member of our team.

**QUALIFICATIONS**

- Chartered Accountant (Sri Lanka)
- Bachelor of Business Administration (University of Colombo – Sri Lanka)
- Member of Certified Management Accountants (Sri Lanka)
- Associate Member of CPA – Australia

**HITESH PISAVADIA – AUDIT MANAGER – LOCAL GOVERNMENT SERVICES**

Hitesh holds a Master of Business Administration (Finance) from the University of Leicester.

He originally hails from Kenya and has over 8 years audit experience with mid-tier accounting firms and 10 years in senior finance roles in commerce.

His audit, financial and commercial experience makes him a valuable part of our audit team.

**QUALIFICATIONS**

- Certified Public Accountant (Kenya);
- Master of Business Administration (University of Leicester – England);
- Member of Institute of Certified Public Accountants of Kenya.



**7. OUR LOCAL GOVERNMENT SERVICE TEAM - (Continued)****GILLES CHAN – AUDIT MANAGER – LOCAL GOVERNMENT SERVICES**

Once he qualified, Gilles spent 10 years working for 2<sup>nd</sup> tier accounting firm in Mauritius where he worked on a wide range of audit assignments and was promoted up to the position of Assistant Manager in 2006.

Gilles joined UHY Haines Norton in May 2007 and is the audit manager responsible for a large number of our Local Government and Corporate audit clients.

Gilles skills and experience helps him deliver an efficient and effective audit service.

**QUALIFICATIONS**

- Association of Chartered Certified Accountants (ACCA) UK

**WASANTHA BANDARA – AUDIT MANAGER – LOCAL GOVERNMENT SERVICES**

Wasantha is a Sri Lankan Chartered Accountant who qualified following four years at a big 4 firm in Sri Lanka.

Following his time in Sri Lanka, Wasantha transferred to the Eastern Caribbean and worked as an Assistant Audit Manager for two years. He then transferred to Papua New Guinea where he was an Assistant Audit Manager for a further two years.

Wasantha migrated to Australia in December 2010 and joined UHY Haines Norton as an Audit Supervisor in our audit division.

His audit experience across various industries, in various geographical locations over eight years, makes him a very valuable addition to our audit team.

**QUALIFICATIONS**

- Chartered Accountant – (Sri Lanka)
- Bachelor of Science (Accountancy and Financial Management)
- Member of Certified Practising Accountants – (Papua New Guinea)
- Associate Member of CPA – (Australia)

**7. OUR LOCAL GOVERNMENT SERVICE TEAM - (Continued)****PAUL BREMAN – PARTNER – LOCAL GOVERNMENT SERVICES**

Paul has been involved in the Local Government industry for over 25 years. He has held positions at a variety of local governments in WA ranging from large metropolitan Councils such as the City of Melville to small rural local governments such as the Shire of West Arthur. He joined UHY Haines Norton in 2007 from his most recent position as Executive Manager of Corporate Services, Shire of Esperance.

Paul is a Certified Practising Accountant with an in-depth knowledge of local government accounting and governance practices. He brings to the firm a rare strength of local government experience which demonstrates the firm's long term commitment to the Industry.

Paul is an active member of the Department's Financial Management Working Party and has been a committee member of the LGMA Finance Managers Group. His experience and "hands on" knowledge is widely recognised in the Industry. As a practitioner he has been the recipient of numerous financial management awards including the WA Public Sector CPA of the Year 2001.

Paul was admitted as a Partner of the firm on 1 July 2009 and has assumed responsibility for our Remote Accounting Services, IT Solutions and all consulting engagements.

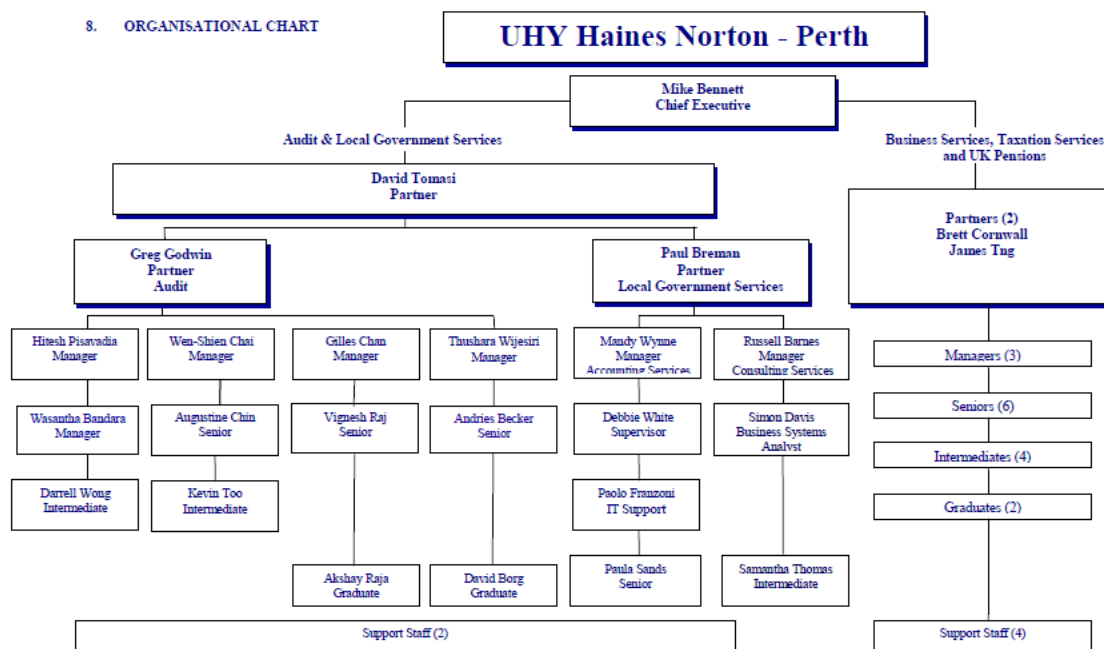
**QUALIFICATIONS**

- Bachelor of Business
- Certified Practicing Accountant (CPA Australia)
- Diploma in Local Government (C)



*Town of Port Hedland  
Provision of Audit Services*

## 8. ORGANISATIONAL CHART



*UHY Haines Norton  
Chartered Accountants*

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**9. OTHER MATTERS****9.1 Quality Assurance**

The firm takes a three tiered approach to quality assurance:

- Project Specification
- Staff Selection
- Quality Reviews

All review projects are designed and documented before commencement to ensure the objectives of our client are specifically addressed and our methodology is understood. The document is approved prior to commencement of field work.

The Partners and senior staff have had extensive experience in auditing, gained by employment in and exposure to large international auditing firms, both in Australia and overseas, and are conversant with modern audit techniques and methodology. Partners and senior staff of the firm have significant experience in the conduct of internal and external audits in commercial and public authorities.

Partners and staff attend ongoing in-house staff training, UHY Haines Norton's national and international conferences and commercially run seminars.

Field operatives and supervising personnel are selected on the basis of their experience in the project subject matter and their ability to add value to the final project outcome.

The work is conducted and documented in accordance with the standards of the Institute of Chartered Accountants. All work completed is progressively reviewed by staff at different levels to ensure the end product meets our high standards. The engagement partner reviews the completed files before final clearance is given. Draft reports of findings and recommendations are discussed with senior management of our clients before final submission to ensure that findings and reporting context are accurate.

Being a firm of Registered Company Auditors operating on public interest entities, we are subject to robust oversight by the Australian Securities and Investment Commission (ASIC) as well as the Public Company Accounting Oversight Board (PCAOB) the US equivalent regulator.

We have recently undergone a review by both of these regulators and both reviews returned satisfactory findings.

These reviews are conducted in three to five year intervals.

The quality review process is further enhanced by a peer review conducted by the Institute of Chartered Accountants practice reviews program. Our last practice review under the program found our audit files complied with the Institute's quality requirements.

**9.2 Conflict of Interest**

The firm is not aware of any existing or potential relationship, transaction or holding that would compromise its objectivity in the conduct of the services envisaged in this contract. Should the possibility of a perceived or actual conflict arise the matter would be raised with the chairman of the audit committee immediately and activities suspended until the issue was resolved to the satisfaction of the audit committee.

*Town of Port Hedland  
Provision of Audit Services*

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9. OTHER MATTERS (Continued)

9.3 Address for Service of Notices

UHY Haines Norton  
Chartered Accountants  
16 Lakeside Corporate  
24 Parkland Road  
Osborne Park WA 6017

PO Box 1707  
OSBORNE PARK DC WA 6916

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*UHY Haines Norton  
Chartered Accountants*

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**APPENDIX 1****Basis of the Proposal**

1. UHY Haines Norton, Perth, a Perth based partnership ("the Firm"), carries on business separately and independently from other UHY Haines Norton member firms around Australia and New Zealand and UHY member firms worldwide.

UHY Haines Norton is a member of Urbach Hacker Young International Limited, a UK company, and forms part of the international UHY network of legally independent accounting and consulting firms. UHY is the brand name for the UHY international network. The services described herein are provided by the Firm and not by UHY or any other member firm of UHY. Neither UHY nor any member of UHY has any liability for service provided by other members.

2. Unless otherwise agreed in writing, UHY Haines Norton's standard terms concerning billings and fees will apply.
3. The information contained in this proposal is confidential and cannot be conveyed to any party other than the management and Council of the Town.

**APPENDIX 2****UHY Haines Norton Audit Methodology**

The strength of our firm is the active involvement of partners in all assignments. We place particular emphasis on the provision of personal service to each client and ensuring the partner is actively involved in the day to day performance of the audit.

The audit team would include an audit manager, and other audit and professional staff as required throughout the assignment. The firm is committed to providing continuity of personnel assigned to the audit and ensuring these staff are available as required to complete the structured audit plan.

We would also ensure a second partner is briefed and is familiar with the conduct of the audit to provide suitable backup quality assurance processes, and act as a second point of reference to you.

Our audit would be conducted in accordance with Australian Auditing Standards.

**1. Objectives of the Audit**

The audit would be designed to achieve the following objectives:

- To enable us to express opinions on whether the financial statement show a true and fair view of the results for the year and the financial affairs at year end.
- To ensure the financial statements are prepared in accordance with the relevant statutory requirements and Australian Accounting Standards.
- Whether we can be satisfied with implicit management assertions in respect of the financial statements in regard to the following:
  - Existence or Occurrence;
  - Completeness;
  - Accuracy;
  - Valuation or Allocation;
  - Rights and Obligations; and
  - Disclosure.
- To review the systems of internal controls to determine whether they appear adequate to safeguard the assets and funds of the Town.

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**APPENDIX 2 (continued)****UHY Haines Norton Audit Methodology (continued)****2. Audit Plan**

The firm's audits would be planned to enable us to conduct effective audits in an efficient and timely manner. Our plan would be based on our knowledge of your activities and would be developed and revised as considered necessary during the course of the audit. The emphasis of our audit would focus on the major risk areas of audit significance whilst ensuring the organisation complies with legislative requirements.

Our audit planning stage covers the following procedures:

- obtaining knowledge of your current activities, accounting system, policies and internal control procedures;
- obtaining an understanding of the internal control structure. Evaluating the operation of the internal control structure and the reliance we would place on these controls in determining the nature, timing and extent of other audit procedures.
- identification of risk areas and allocation of risk levels for each area;
- determining materiality levels in accordance with Statement of Accounting Standards AASB 1031 "Materiality in Financial Statements";
- determining and programming the nature, timing and extent of the audit procedures to be performed; and
- co-ordinating the work to be performed.

**3. Scope**

Should we be successful in this tender, the scope of the audit would be determined in accordance with Australian Auditing Standards, legislative requirements and terms included in the audit engagement contract based on the contents of this submission

The audit would be arranged to adequately cover all aspects of the Shire relevant to us forming an opinion on the financial statements.

**4. Timing**

We would liaise with management on the audit plans and a timetable for the preparation of the financial reports and supporting schedules, allowing sufficient time for completion of the audit within your deadlines.

Our audit team may also visit during the year to carry out systems evaluations and testing to determine whether the systems can be relied on to produce reliable and accurate information.

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**APPENDIX 2 (continued)****UHY Haines Norton Audit Methodology (continued)****5. Procedures**

Third party confirmations would be obtained to verify all major assets and liabilities.

The financial statements would be analytically reviewed and all individual assets, liabilities and profit and loss items within the materiality levels would be audited.

The financial statements would be checked to determine whether they show fairly the financial transactions and state of affairs and comply with legislative requirements and Australian Accounting Standards.

We would review post balance date events, contingent liabilities and capital commitments.

Consideration would be given to the Town's future viability including any significant adverse trends, the ability to pay its debts as and when they fall due and whether the basis of preparing the financial statements on the going concern concept is relevant.

The Audit Partner would be accessible at all times to discuss and give advice on matters related to the preparation of the financial statements and any other topics management may require.

**6. Reporting**

- **Management Reports**

(a) Any significant and/or unusual developments arising during the course of our examinations would be firstly communicated immediately to our primary contact or an appropriate level of management.

(b) Our management report would detail all issues of major significance observed during the course of the audit. These reports would set out particulars of:

- (i) material errors or breaches of the organisation's policies and procedures;
- (ii) instances where the organisation fails to comply with appropriate legislation;
- (iii) acts of lack of propriety or probity;
- (iv) failure to maintain proper accounts and records;
- (v) failure to operate key controls over its activities;
- (vi) matters related to the efficient and effective operations of the organisation noted during the course of the audit; and
- (vii) other matters as set out in Appendix 1 of your quotation specification where they have not already been addressed above.

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**APPENDIX 2 (continued)****UHY Haines Norton Audit Methodology (continued)****6. Reporting (continued)**

All reports would be discussed in detail with appropriate officers before being released.

- (c) All management reports would be addressed to the President (as required by the Act) and a copy sent to the Chief Executive Officer.

- **Independent Audit Reports on Financial Statements**

Audit opinions on the financial statements would be provided after completion of the audits i.e. after the receipts of all confirmations, letter of representations and the signing of the financial statements by the Chief Executive Officer.

The audit opinions would be in the form required by Australian Auditing Standards and statutory requirements and include those items as required by the Local Government Act and Local Government (Audit) Regulations.



**ITEM 7      LATE ITEMS AS PERMITTED BY CHAIRPERSON/COUNCIL**

Nil

**ITEM 8      CONFIDENTIAL ITEMS**

Nil

**ITEM 9      CLOSURE****9.1          Date of Next Meeting**

The next Ordinary Meeting of the Audit and Finance Committee will be held on Wednesday, 30 May 2012.

**9.2          Closure**

There being no further business, the Chairperson declared the meeting closed at 3:40 pm.