



6 March 2012

Mayor Ron Yuryevich  
The Mayor  
City of Kalgoorlie-Boulder  
PO Box 2042  
BOULDER WA 6432

Dear Mayor Yuryevich

We are pleased to confirm our acceptance of the appointment as the City's auditors for the five years commencing 1 July 2011.

As part of normal auditing practice we set out our understanding of the terms of the engagement.

#### OBJECTIVES AND SCOPE

Our audit will be conducted pursuant to the Local Government Act 1995 (as amended) and accompanying Regulations with the objective of expressing an opinion on the financial report.

We will undertake testing that will:

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 City; 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 City's receipting function and perform detailed testing as considered necessary;
4. Examine money owing to the City including testing recoverability, follow up procedures and compliance with relevant legislation;
5. Review payment vouchers and ensure appropriate procedures exist in respect to authorisation and payment of accounts as well as detailed testing as considered necessary;

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#### **OBJECTIVES & SCOPE (Continued)**

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;
10. Review all transactions involving land and other property to ensure legislative requirements are complied with and the City has right of occupancy;
11. Review agreements where the City has leased land to third parties and help ensure compliance with relevant legislation in respect of them;
12. Review of the budget and related processes to ensure compliance with the Act and accompanying regulations;
13. 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.
14. 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 City and make comments in regard to the accounting systems and procedures in place.

#### **RESPONSIBILITIES OF THE AUDITOR**

We will conduct our audit in accordance with the Australian Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal control relevant to the City's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial report that we have identified during the audit.



<b>Audit Attachment:</b> <b>Auditor Appointment Letter 2011</b>	<b>AUDIT COMMITTEE WORKS</b> <b>PROGRAM PROGRESS REPORT</b> <b>2012.docx:</b> <b>Attachment No : 3</b>	<b>Page 3 of 7</b>
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## RESPONSIBILITIES OF MANAGEMENT AND COUNCIL

Our audit will be conducted on the basis Council and management acknowledge and understand they have responsibility:

- a) For the purpose of the general purpose financial report that gives a true and fair view in accordance with the Local Government Act 1995 (as amended) and Regulations (as amended) and Australian Accounting Standards;
- b) For such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error; and
- c) To provide us with:
  - (i) Access to all information of which the Council and management are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
  - (ii) Additional information that we may request from the Council and management for the purpose of the audit; and
  - (iii) Unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management, written confirmation concerning representations made to us in connection with the audit.

## REPORTING

For the audit of the general purpose financial report of the City for the year ended 30 June 2012 and subsequent years, our audit report will be formed in accordance with Australian Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* having regard for the requirements of the Local Government Act 1995 (as amended) and the Local Government (Audit) Regulations 1996 (as amended).

With respect to the audit of special purpose financial reports relating to acquittals, given the financial reports are special purpose financial reports, we are required to include an Emphasis of Matter paragraph in our audit report (in accordance with the Australian Auditing Standards). We note the anticipated wording will be:

**Without modifying our opinion, we draw attention to the fact the financial report has been prepared for the purpose of fulfilling the City's financial reporting responsibilities under the terms of the relevant funding agreement. As a result, the financial report may not be suitable for another purpose.**

The form and content of our reports may need to be amended in light of our audit findings.

## AUDIT APPROACH

Our audit will be conducted in two visits unless specifically requested otherwise. The visits are arranged with you to ensure that it is mutually convenient and you are ready for our year end procedures.

These will comprise an interim visit in the fourth quarter 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 visit we will perform 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 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.

We require the City 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 visit.

**AUDIT APPROACH (Continued)**

The management report will be issued following the completion of the audit noting our comments on internal control matters and our recommendations for corrective action. 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 and further undertake to provide such reports to the Council and Minister as required.

**FEES**

Our fees for the provision of audit services to the City are as follows:

		<u>Fee</u>	<u>Applicable</u> <u>GST</u>	<u>Total</u> <u>(GST Inclusive)</u>
		\$	\$	\$
Year ended -	30 June 2012	30,000	2,000	33,000
	30 June 2013	31,000	3,100	34,100
	30 June 2014	32,000	3,200	35,200
	30 June 2015	33,500	3,350	36,850
	30 June 2016	35,000	3,500	38,500

The fees and time quoted are exclusive of travel and related expenses and assume there is no significant change in the level of operations of the City during the period of our appointment.

Reasonable out-of-pocket travel, accommodation, living and incidental expenses (based on our internal "Travel Expenses Policy") will be charged in addition to the fees quoted above and will be invoiced at cost to the City. Travel expenses will only include out of pocket costs and will not include the time cost involved.

The above fees are 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 City 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.

The fee will 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.

**Roads to Recovery and Certifications/Acquittals**

The certification of the Roads to Recovery annual return and other acquittals are considered to be outside the scope of our normal audit function. However, if all details are prepared for us and we are able to complete with a minimum of fuss our charges would typically fall in the \$600 to \$1,000 (GST exclusive) range per certification/acquittal.

**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.



**Indicative Costs for Additional Services (Continued)**

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

	<b>Per Hour (GST exclusive)</b>
	<b>\$</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.

**HOURS**

Estimated hours for each stage of the audit are as follows:

	<b>Interim Stage</b>	<b>Final Stage</b>	<b>Total</b>
Partner	2	10	12
Manager/Supervisor/Senior/Intermediate/Graduate	64	74	138
Planning	2	2	4
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	68	86	154
	==	==	==

**ELECTRONIC INFORMATION**

The examination of the controls over the electronic presentation of audited financial information on the City's website is beyond the scope of the audit of the financial report.

Accordingly, the electronic presentation of the audited financial report and our auditor's report is the responsibility of those charged with governance and management of the City.

We will assume no responsibility for any errors or omissions in relation to the presentation of any electronic information in any form whatsoever.

**OTHER MATTERS UNDER THE CODE OF ETHICS FOR PROFESSIONAL ACCOUNTANTS**
*Independence*

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the Code of Ethics for Professional Accountants in relation to the audit of the financial report. In conducting our audit of the financial report, should we become aware that we have contravened the independence requirements of the Code of Ethics for Professional Accountants, we shall notify you on a timely basis. As part of our audit process, we shall also provide you with a written independence declaration as required by the Code of Ethics for Professional Accountants.

The Code of Ethics for Professional Accountants includes specific restrictions on the employment relationships that can exist between the audited entity and its auditors. To assist us in meeting the independence requirements of the Code of Ethics for Professional Accountants, and to the extent permitted by law and regulation, we request you discuss with us:

- the provision of services offered to you by UHY Haines Norton prior to engaging or accepting the service; and
- the prospective employment opportunities of any current or former partner or professional employee of UHY Haines Norton prior to the commencement of formal employment discussions with the current or former partner or professional employee.

## QUALITY CONTROL

The conduct of our audit in accordance with Australian Accounting Standards means that information acquired by us in the course of our audit is subject to strict confidentiality requirements. Our audit files may, however, be subject to review as part of the quality control review program of the Institute of Chartered Accountants in Australia which monitors compliance with professional standards by its members. We advise you that by signing this letter you acknowledge that, if requested, our audit files relating to this audit will be made available under this program.

Should this occur, we will advise you. The same strict confidentiality requirements apply under this program as apply to us as your auditor.

## OTHER

UHY Haines Norton is an association of independent firms. 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.

## APPOINTED AUDITORS

The partners of the firm accepted as auditors of the City of Kalgoorlie-Boulder are as follows:

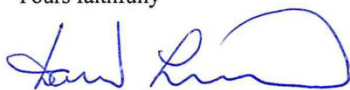
Name	Registered Company Auditor Number
<u>Engagement Partner (either)</u>	
Mr D J Tomasi	15724
Mr G Godwin	310219

Any changes to the individual auditor's will require a resolution (by absolute majority) of Council. Should this be necessary, a written request for consideration by Council will be provided to the City.

This letter will be effective for the term of our appointment unless superseded.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our audit of the financial report.

Yours faithfully



DAVID TOMASI  
PARTNER

Acknowledged on behalf of the City by

(signed) \_\_\_\_\_

Name & Title:

Date:

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|--|---|---|
| <input type="checkbox"/> URGENT                    | <input type="checkbox"/> FOR YOUR RECORDS       | <input type="checkbox"/> FOR YOUR INFORMATION       |
| <input type="checkbox"/> CONFIRMATION OF FACSIMILE | <input type="checkbox"/> FORWARDED AS ARRANGED  | <input type="checkbox"/> FOR YOUR APPROVAL          |
| <input type="checkbox"/> FOR YOUR COMMENTS         | <input type="checkbox"/> PLEASE SIGN AND RETURN | <input type="checkbox"/> PLEASE ACKNOWLEDGE RECEIPT |

AUDIT CONTRACT

06/03/12

*I am, Agreement to finalise the audit contract. Please sign where indicated and return "COPY" to us for our records.*

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*Regards,*  
**With Compliments**

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