

Dinner Plain Special Rate and Operations Review Memorandum of Audit Planning

Alpine Shire Council

April 2016

Confidential

1 Quotation for Services

Name of audit: Dinner Plain Special Rate and Operations Review

Commencement: 14 April 2016 Completion: 29 April 2016

Auditor in charge Alison Lee Contact: 02 6021 1111

1.1 Introduction

Crowe Horwath have prepared this quote for the Special Rate and Operations Review of Dinner Plain. Alpine Shire (Council) manages the village of Dinner Plain as a separate Business Unit. Council has received letters expressing concern about the way the Dinner Plain Special Rate is administered and managed and a call for an audit has been made.

1.2 Objectives and scope

The objectives of the project are to are to review the operation of Dinner Plain as follows:

Agreed upon procedures

- Agree the operating summary of Dinner Plain income and expense accounts for the period 2004 to 2015 to Council's general ledger;
- Review Council's chart of accounts to ensure completeness of Dinner Plain based accounts captured within the operating summary;
- Agree the general rate and special rate against Council resolutions, adopted annual budget and the rate actually struck;
- Agree the Dinner Plain reserve in Council's financial statements for the period 2004 to 2015 to Council's general ledger;
- Audit of Dinner Plain reserve to determine if it is overstated, understated or as depicted in the financial statements; and
- Review of legal advice received by Council to ensure that the special rate has been applied in accordance with the local government Act 1989.

Other areas

Interest General Rate

- Calculate over a time interval of one year in the first instance for the 10 year period (2004 to 2015) interest accrued as follows:
 - Where funds were paid out by Council prior to rates being paid (interest forgone by Council); and
 - Where rates were received by Council and not spent (interest forgone by the ratepayer).
- Suitable interest rates, with reference to the RBA Official Cash Rate, will be determined for both positive and negative cash flows and applied, resulting in a preliminary determination of any interest payable or receivable.
- Determine if any interest is payable that a more granular approach i.e. using time intervals of one month or less to arrive at a more accurate determination of any interest payable.

Interest Special Rate

- Calculate over a time interval of one year in the first instance for the 10 year period (2004 to 2015) interest accrued as follows:
 - Where funds were paid out by Council prior to rates being paid (interest forgone by Council); and
 - Where rates were received by Council and not spent (interest forgone by the ratepayer).
- Suitable interest rates, with reference to the RBA Official Cash Rate, will be determined for both positive and negative cash flows and applied, resulting in a preliminary determination of any interest payable or receivable.
- Determine if any interest is payable that a more granular approach i.e. using time intervals of one month or less to arrive at a more accurate determination of any interest payable.

Administration Internal Charge

Audit the administration/internal charge costed to Dinner Plain. Determine if the administration charge is over stated, under stated or correct. As a result of our testing, suggest alternate methodologies we have observed in operation at Local Government entities for determining administration internal charges.

1.3 Review approach

The audit is to be completed using the same standards as previously used when auditing Councils annual financial statements i.e. Audit Act 1994, Australian Accounting Standards and Australian Auditing Standards.

The sampling methodology to be the same level as previously used in Councils external audits.

The project will concentrate on:

- recalculating interest;
- documenting and evaluating the methods associated with control and management;
- sighting evidence of source documentation pertaining to items of income and expenditure of Dinner Plain;
- assessing areas of risk in Council's processes.

The project will involve the following consultation elements:

- part of the engagement will be constructed as an agreed upon procedures engagement with the output being a report of factual findings. Refer Appendix 1.

A forensic accounting team from our Sydney office can be engaged if requested.

1.4 Crowe Horwath Methodology

Crowe Horwath invests significantly in developing and maintaining a sophisticated audit methodology that assists our highly trained and informed auditors provide a quality and efficient audit service.

It has been developed in conjunction with our international network to ensure our services comply with Australian Standards on Auditing (ASAs) and provide the level of assurance required by members of the Board and Finance, Audit and Risk Committee in discharging their duties.

Methodology

Our audit is required to be conducted in accordance with Australian Auditing Standards (“ASAs”). These standards prescribe the minimum procedures to be considered in the conduct of an audit and are legally enforceable. ASAs are principles-based and focus clearly on a risk based approach to each engagement.

Crowe Horwath methodology has been designed to ensure compliance with ASAs, while at the same time seeking to optimise the effectiveness of technology and well-developed templates. The following table contains a diagrammatic representation of the key stages of our audit, the focus at each stage and the output from our work.

STRATEGIC PLAN	ACTIVITIES	OUTPUT & DELIVERABLES
Develop plan of attack	<ul style="list-style-type: none"> ■ Determine audit strategy and planned audit approach ■ Identify significant financial statement accounts requiring audit focus 	<ul style="list-style-type: none"> ■ Audit Strategy/Scope
Evaluate controls platform and degree of reliance	<ul style="list-style-type: none"> ■ Assess key controls over significant financial statement accounts ■ Evaluate the design and implementation of selected controls ■ Test operating effectiveness of key controls ■ Interim procedures in relation to various compliance engagements 	
Test balances to supplement controls testing	<ul style="list-style-type: none"> ■ Plan substantive procedures ■ Perform substantive procedures ■ Finalisation procedures in relation to various compliance engagements 	<ul style="list-style-type: none"> ■ Exit discussion
Evaluate results	<ul style="list-style-type: none"> ■ Perform completion procedures ■ Perform overall evaluation ■ Report to management and the Audit Committee 	<ul style="list-style-type: none"> ■ Audit Report

1.5 Deliverables

A report will be provided in line with the timelines below. The report will set out the objectives of the project, work undertaken, outcomes and recommendations. We are happy to provide a shell report for your consideration.

Our findings will include a management response, where deemed appropriate and will be showed in draft form prior to issuance to provide the opportunity for management feedback on style and content of the report to ensure its fit for purpose.

1.6 Key milestones

The following key milestones can be set and agreed to with management:

Key Steps	Key Dates
Documentation/files (as listed below) to be provided prior to audit fieldwork	Ongoing
Memorandum of audit planning completed	April 2016
Field work to commence	13 April 2016
Issue of draft report for management comments	29 April 2016
Final report with management comments for Audit Committee papers	6 May 2016
Present audit findings to a briefing of Council in Bright	TBC
Attend on site at Dinner Plain for presentation of audit results	TBC

1.7 Key personnel

In order to enable Staff to plan their time, we envisage that we will need to interview the following people for this review:

Name	Title	Phone Number
Leanne Williams	Manager Corporate	(03) 5755 0571
	Dinner Plain concerned Ratepayers	TBC
Other staff as required		

We are happy to consult with concerned ratepayers of Dinner Plain via phone conversations, present findings to a briefing of Council at Bright and attend on site presentation at Dinner Plain.

1.8 Documentation required

The following documentation will be required to be provided prior to the fieldwork commencing. (It would be appreciated if this documentation could be provided as soft copies to facilitate storage and handling)

Documentation
▪ Signed Council Annual reports for 2003/04 to 2014/2015
▪ Financial Statement Audit Management letters issued for 2003/04 to 2014/2015
▪ Detailed general ledger for income and expenses of Dinner Plain for 2003/04 to 2014/2015
▪ Management reporting for Dinner plain for the period 2003/04 to 2014/2015
▪ Committee Meeting Minutes for 2003/04 to 2014/2015

1.9 Resources required and acknowledgement

Resources required: 97 hours at \$125 = \$12,125 ex GST. Out of pocket costs will be capped at \$500.

Our resources required are determined on the premise that the records are of adequate quality to allow us to work efficiently, and that the information and staff are available at the commencement of our procedures. In the event that requested information is not provided or if there are material delays, errors or irregularities, we would meet with you at the earliest opportunity to discuss the effect on our scope and we may seek to agree a variation to the agreed fees.

We are happy to provide resumes for individuals proposed to work on the project should this be required.

Please email me or Alison Lee if you would like to discuss further.

MAP authorised by:

Name: *Leanne Williams*
Position: *Manager Corporate*
Date: *14/4/16*

Signature: 

Name: Bradley D Bohun

Position: Partner, Audit and Assurance, Crowe Horwath Albury

Date: 12 April 2016

Signature: 

Contact Us

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