

LOCAL GOVERNMENT ACT 1995

LOCAL GOVERNMENT (AUDIT) REGULATIONS 1996

Made by His Excellency the Governor in Executive Council.

Citation

1. These regulations may be cited as the *Local Government (Audit) Regulations 1996*.

Commencement

2. These regulations come into operation on 1 July 1996.

Interpretation

3. In these regulations, unless the contrary intention appears —

“**Australian Accounting Standards**” means the “Statements of Accounting Standards” issued by the Australian Accounting Research Foundation;

“**section**” means section of the Act.

**Prescribed amount of debt which disqualifies person as auditor —
s. 7.4 (2) (b)**

4. The amount prescribed for the purposes of section 7.4 (2) (b) is \$5 000.

**Prescribed entity, employment or membership of which disqualifies
person as auditor — s. 7.4 (2) (c)**

5. The prescribed entities for the purposes of section 7.4 (2) (c) are, in relation to a local government —

- (a) a regional local government in which the local government is a participant; and

- (b) an incorporated association which the local government has formed or taken part in forming under the *Associations Incorporation Act 1987*.

Prescribed class of persons, membership of which disqualifies person as auditor — s. 7.4 (2) (d)

6. (1) The prescribed classes of persons for the purposes of section 7.4 (2) (d) are —

- (a) persons who are disqualified for membership of a council under section 2.22;
- (b) persons who are insolvents under administration within the meaning of the Corporations Law; and
- (c) persons who are closely associated with a relevant person.

(2) For the purposes of subregulation (1) (c) a person is to be treated as being closely associated with a relevant person if the person —

- (a) is in partnership with the relevant person;
- (b) is an employer of the relevant person;
- (c) is a beneficiary under a trust, or an object of a discretionary trust, of which the relevant person is a trustee;
- (d) is a body corporate —
 - (i) of which the relevant person is a director, secretary or executive officer; or
 - (ii) in which the relevant person holds shares having a total nominal value exceeding —
 - (I) the amount prescribed for the purposes of section 5.62; or
 - (II) the percentage of the total nominal value of the issued share capital of the company prescribed for the purposes of section 5.62,

whichever is less;

- (e) is the spouse or a child of the relevant person and is living with the relevant person; or
 - (f) has a relationship specified in any of paragraphs (a) to (d) in respect of the relevant person's spouse if the spouse is living with the relevant person.
- (3) In this regulation —

“relevant person” in relation to a local government, means a member of the council of the local government or an employee of the local government.

Audit agreements

7. An agreement between a local government and an auditor is to include —
- (a) the objectives of the audit;
 - (b) the scope of the audit;
 - (c) a plan for the audit;
 - (d) details of the remuneration and expenses to be paid to the auditor;
and
 - (e) the method to be used by the local government to communicate with, and supply information to, the auditor.

Notification required on termination of audit agreement

8. (1) Where an agreement between a local government and an auditor is terminated —
- (a) the local government is to, within a period of 30 days from the termination, give to the Executive Director —
 - (i) notice of the termination; and
 - (ii) the reasons for the termination;and

- (b) the auditor is to, within a period of 30 days from the termination, advise the Executive Director of the termination.

(2) Notwithstanding any provision of an agreement between a local government and an auditor to the contrary, an auditor is to be given notice in writing of the termination of his or her appointment.

Performance of the audit

9. (1) An audit is to be carried out in accordance with the "Auditing Standards" and "Auditing Guidance Statements" adopted from time to time by the Australian Society of Certified Practising Accountants and The Institute of Chartered Accountants in Australia.

(2) An auditor is to carry out such work as is necessary to form an opinion as to whether —

- (a) the accounts are properly kept; and
- (b) 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 the *Australian Accounting Standards* and the Act.

Report by auditor

10. (1) An auditor's report is to be forwarded to the persons specified in section 7.9 (1) within 30 days of completing the audit.

(2) The report is to give the auditor's opinion on —

- (a) the financial position of the local government; and
- (b) the results of the operations of the local government.

(3) The report is to include —

- (a) any material matters that in the opinion of the auditor indicate significant adverse trends in the financial position or the financial management practices of the local government;

- (b) any matters indicating non-compliance with Part 6 of the Act, the *Local Government (Financial Management) Regulations 1996* or applicable financial controls in any other written law;
- (c) details of whether information and explanations were obtained by the auditor; and
- (d) a report on the conduct of the audit.

(4) Where it is considered by the auditor to be appropriate to do so, the auditor is to prepare a management report to accompany the auditor's report and to forward a copy of the management report to the persons specified in section 7.9 (1) with the auditor's report.

Statement of hours and fees

11. An auditor is to provide to the Minister with the auditor's report a detailed statement of —

- (a) the hours worked on the audit; and
- (b) the remuneration and expenses due to the auditor by the local government.

Auditor's conflict of interest

12. An auditor is to report a possible conflict of interest to the Minister as soon as possible after the auditor becomes aware of the possible conflict of interest.

Transitional provision for audit for 1995-1996 financial year — s. 9.71

13. An audit of the annual financial report for the financial year ending on 30 June 1996 is to be carried out —

- (a) in accordance with any directions given by the Minister under section 633A of the *Local Government Act 1960* as in force before 1 July 1996; and

- (b) having regard to the requirement in the *Local Government (Financial Management) Regulations 1996* that the annual financial report be prepared in accordance with the *Local Government Accounting Directions 1994**.

[* *Published in Gazette 29 June 1994, pp. 3143-56.*]

By His Excellency's Command,

J. PRITCHARD, Clerk of the Council.