



Preparing for an Acquittal Audit

13 June 2013



 ***Great people, great results***

Accountants | Business and Financial Advisers

The auditor is the dentist to finance staff



Introduction

- Why do we need to talk about this
- It's about efficiency – an acquittal audit should take at the most one day, not 8 months from the time we receive the initial phone request

After an acquittal we should not feel like this



How to improve the process?

Get to know your Funding Agreement

Council responsibilities

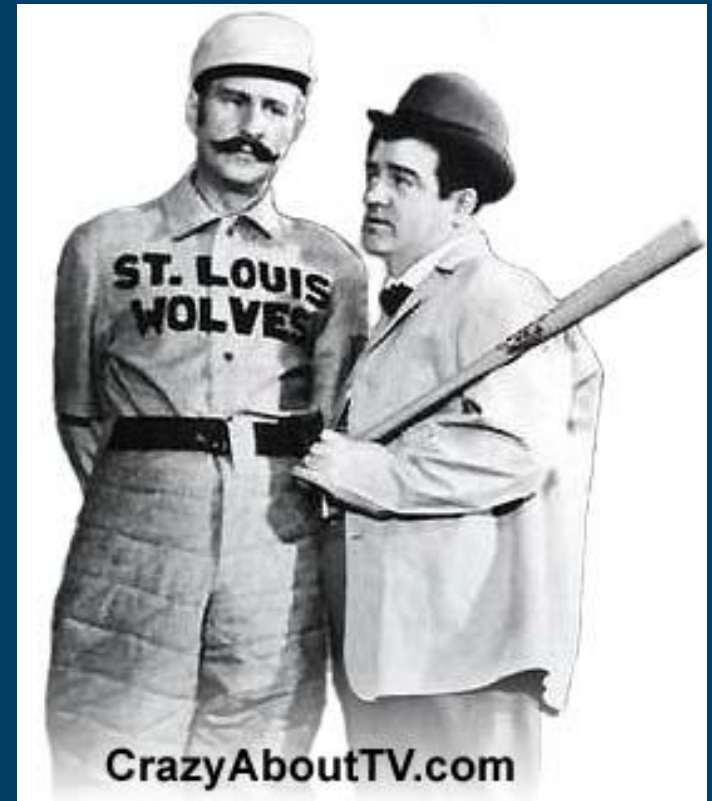
Audit requirements

Agencies that require acquittal audits

- Department of Education, Employment and Workplace Relations - Community Support Program
- Department of Infrastructure, Transport and Regional Development and Local Government - Major Capital Project joint funded from the Commonwealth – Roads to Recovery
- Department of Health and Ageing e.g. Prudential Audits
- Department of Sustainability
- Department of Regional Australia Local Government, Arts and Sport

Abbott and Costello Principle

- Who is on First
- What is on Second
- I don't know.....is on Third



Who?

- Who is responsible for completing the acquittal?
- Who is asking for the information?
- Do we have a contact in the funding agency to answer any questions that may arise?
- Who will be your auditor?



Who is your acquittal champion



What?

- What is specifically being requested by the funding agencies?
- What information will you need to provide to the auditor?

Key Messages

Know your Funding Agreement



Key Messages (cont'd)

Record keeping commences
at the time of
signing the agreement



What will you need to provide for the audit?

- Signed Funding Agreement
- Statements of Receipts and Payments as required by the Funding Agreement

Note - a Statement of Financial Position may also be required.

What you need to prepare for the audit?

- Evidence to support that the funds have been received and any other contribution
- A listing of expenditure incurred during the program
- Payroll costing methodology for the program

What you need to prepare for the audit?

- Where assets have been acquired, evidence to support the acquisition
- Recipient's contribution
- Councils need to demonstrate to the auditor that contribution relates to the project

What you need to prepare for the audit?

- Recipient's contribution is usually defined in the Funding Agreement
 - Cash contribution to pay for program expenses
 - Employee costs
 - Administration component

Audit ready versus Department ready

- You may have met audit's expectations but have you met the Department's expectations
- What are the Department's expectations?

Hidden clauses in Funding Agreement

Account-keeping

- Must keep funds in a separate bank account
- The account must earn a commercial rate of interest
- Recipient must be able to easily identify the receipts and payments in the account

Hidden clauses in Funding Agreement

Financial Records

- A project specific cost code that is separate from the recipient's other accounting codes
- A register of any assets acquired
- Recipient must be able to easily identify the receipts and payments in the account
- An audit of those accounts and records in accordance with Australian Auditing Standards

Hidden clauses in funding agreement

Financial Reporting

- Audited statements prepared in accordance with Australian Accounting Standards- “that means accrual”
- A copy of a letter to recipient from the auditor which comments on the adequacy of financial controls, ability to repay surplus funds etc.

Auditor's obligations

- Most Funding Agreements require the statement to be audited in accordance with Australian Auditing Standards
- Exercise professional judgement
- Certify that expenditure complies with the requirements of the Funding Agreement

Roads to Recovery (R2R)

Documents the auditor may need:

- A list of projects that have been funded under R2R Program
- Previous year's return
- Amounts received in the year
- Calculation of the council's own source expenditure on roads

Prudential Audits

Documents the auditor may need:

- Copy of the bond register
- Access to the bond agreements
- Access to discharge documents

Being Efficient

- Avoid duplicated effort i.e. payroll acquittal work could be performed at the same time as the financial audit work
- Roads to Recovery testing could be performed during the auditor's fixed asset testing
- Prudential audits for aged care have documentation on additions and departures for the year

What to do if the you inherit an acquittal

- Obtain Funding Agreement
- Has a similar review been done before?
- Use you own council network



Conclusion

- Have an individual in council as a coordinator of acquittal audits
- Know your obligation under the Funding Agreement
- Record keeping should commence the day the agreement is signed

Conclusion

- Create an acquittal timetable (sometimes forms part of the Funding Agreement)
- Have an appreciation of your auditor's requirements under the Funding Agreement as this will assist in preparing information for the audit

Checklist

1. Obtain Funding Agreement
2. Check whether this type of acquittal has been done previously
3. Enquire with other councils who may have done a similar acquittal
4. If no to 2 and 3, contact relevant funding department to clarify the acquittal statement format
5. Contact auditor to make arrangements for audit (may entail a visit)
6. Send listing of receipts and payments so auditor can select sample
7. Obtain requirements listing from auditor

Checklist continued

8. Compile and provide documents to auditor
9. Certify and receive audit report
10. Submit to Department

Now you're prepared!



Questions?

Contact: pgallagher@hlbvic.com.au