



Ref: 7926

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Dear Mr Hobley

#### **AUDIT FEE 2024**

Our indicative fee for the audit of your 2023-24 financial report is \$48,500 (excl. GST). The indicative fee represents an increase compared to the prior year invoiced audit fee (2022-23: \$30,340).

This fee has been calculated to cost-recover the OAG's expenses to deliver the audit work program, plus any directly related costs such as contract fees and travel expenses, as applicable.

In addition to giving assurance on your entity's annual financial report, the audit will also provide transparency surrounding relevant legislative compliance, financial controls, probity, and governance matters, and enables our whole-of-sector parliamentary reporting and stakeholder liaison across the sector.

To uphold our auditor obligations, we are aiming to issue all financial audit opinions for the 2024 reporting period by no later than 6 December 2024. This will enable you to discharge your statutory financial reporting responsibility to ratepayers in a timely manner (i.e. by no later than 31 December 2024).

#### **Increase in audit effort**

In recent years there has been an increase in audit effort due to:

- changing systems or processes at entities
- staff shortages at entities resulting in poorer financial management, reporting and audit preparedness
- complexities and prior year issues which have resulted in an increase in management letter findings (financial audit and information systems audit), with some entities receiving modified opinions (qualifications and disclaimers)
- implementation of revised or new auditing/accounting standards.

As a result, our audit teams and senior staff are required to apply additional scrutiny to maintain audit quality and consistently report issues across the sector.

### **Increase in professional salaries and contract audit firm fees**

Public sector salary adjustments are one factor affecting fee increases, but salaries paid by our approved contract audit firms to retain professional staff also play a significant role in increasing costs. Our approved contract audit firms have significantly increased their audit fees (average of 38% for local government entities). This is consistent with the prior year and reflective of the market, specifically for the auditing profession who, as with the OAG, are experiencing significant labour constraints and wage inflation. It also reflects the firms allowing enough hours to properly address the issues being encountered in many public sector finance functions.

The average fee increase across our audit portfolio of local government sector is 21%.

The specific reason(s) for the fee increase for your entity is/are:

- a large/significant number of issues (i.e. management letter findings or technical issues) have previously been identified at an entity or the entity received a modified audit opinion in the previous year which requires additional audit effort this year to assess the impact on the current year's audit opinion
- we have not been fully recovering our contract audit firm fee in recent years – in such instances we have adjusted to fully recover such and a reasonable proportion of our own time and costs,
- we have recently contracted out, retendered, or exercised the option to extend the audit with the contract audit firm and now more fully recover both the contract audit firm's fee and our time and costs.

### **How we can work together to minimise audit fees**

We request that you submit certified financial report to our audit team at the commencement of the final visit. You will also need to provide key information and have staff available during the audit process. Being better prepared and audit ready should mean fewer queries from the audit team, which contributes to timely completion of the audit and potentially reduced costs.

We encourage your finance team to use the [Audit Readiness - Better Practice Guide](#). This will help you maintain a sound control environment and provide timely and well-prepared financial report, working papers etc to our audit team. By being better prepared and audit-ready, our audit team is likely to have fewer queries, which contributes to timely completion and potentially reduced costs.

We will re-assess the costs for your audit closer to audit completion and inform you if a fee revision is necessary. A fee revision will only occur after we consult with you.

We look forward to working with you to promote accountability and transparency in the local government sector for the benefit of the community we jointly serve.

Please contact your Engagement Leader Mark Ambrose on 6557 7521 if you require further information.

Yours sincerely

Mark Ambrose  
Senior Director  
Financial Audit  
26 June 2024