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| Detailed Instructions for using this Representation letter template |
| ApplicationThese instructions apply to the following:

|  |  |
| --- | --- |
| Section | Instruction |
| [Introduction](#Introduction) | Delete engagements not covered in this letter. |
| Accounting Records and TransactionsCompliance with Legislation and Other RequirementsInternal ControlsFraud and ErrorInternal AuditLitigation and Claims | Include representations in these sections. |
| [Service Organisations](#Service_Organisations) | Delete this section if the council does not use a service organisation.If the council uses a service organisation, select the wording appropriate to the circumstances of the council. |
| [General Purpose Financial Statement](#_General_Purpose_Financial) and [Special Purpose Financial Statement for Declared Business Activities](#_Special_Purpose_Financial) | Include representations in this section unless the letter will not include the:* GPFS – delete the GPFS section
* SPFS – delete the SPFS section
* GPFS and SPFS – delete the entire section.
 |
| [Special Schedule – Permissible income for general rates](#Special_Schedule_No8) (the Schedule) | Delete the section if this engagement is not included in the letter. |
| Accounting for interests in other entities | Include representations in this section. |
| [Other Information included in an annual report](#_Other_Information_included) | Include this section. |

Note:Some of the representations contain alternate wording. Select the wording appropriate to the circumstances of the council. |

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| Representations shaded in:* blue are not explicitly required under Australian Auditing Standards.
* gold have been added as a result of COVID‑19 and, where applicable, to address other events such as bushfires and floods. Please ensure this is tailored to fit the facts and circumstances of the council.

Specific representations should be included if relevant to your council.To remove the shading:* highlight the relevant text
* click on the arrow next to the shading icon on the ‘Home’ ribbon
* click no colour.
 |

(Letterhead of Council)

[Name of Director / Audit Leader, Financial Audit]
[Director / Audit Leader], Financial Audit
Audit Office of New South Wales
GPO Box 12
SYDNEY NSW 2001

[date]

Representation Letter

[Council Name]

We provide this Representation Letter in connection with your audit of the financial statements of [Council Name] (the Council) for the year ended [date], so you can express an opinion on whether the general purpose financial statements of the Council give a true and fair view in accordance with:

* the *Local Government Act 1993* (the LG Act)
* the Australian Accounting Standards
* the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (the Code).

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| Insert references to other legislation applicable to councils and their controlled or jointly controlled entities. For example, the **Corporations Act 2001** (Corps Act), **Charitable Fundraising Act 1991** and Division 60 of the **Australian Charities and Not‑for‑Profits Commission Act 2012** (ACNC Act).A council’s controlled or jointly controlled entity need only include a reference to:* the Corps Act, if it is a company reporting under the Corps Act, or is registered with the Australian Charities and Not‑for‑profits Commission (ACNC) but chooses to voluntarily report in accordance with the Corps Act
* Division 60 of the ACNC Act, if it does not apply the transitional reporting arrangements under the **Australian Charities and Not‑for‑Profits Commission (Consequential and Transitional) Act 2012**. Entities can apply the transitional reporting arrangements, if they are registered with the ACNC and meet the definition of a charity under the **Charities Act 2013**. They should confirm their eligibility directly with the ACNC.
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| Representations for Councils:Include the wording below for councils if representations for SPFS and other reports/engagements will be obtained in this letter. Tailor as appropriate.Note: obtain separate letters if not all engagement IARs will be signed within one week of receiving the signed Representation Letter.County councils and council entities: remove engagements that will not be performed. |

This Representation Letter is also provided in connection with your audit of the following engagements:

|  |  |
| --- | --- |
| Engagement | Nature of the Opinion |
| Special purpose financial statements (SPFS) for Declared Business Activities for the year ended [date]. | Whether the SPFS are prepared in accordance with the Code. |
| Special Schedule – Permissible income for general rates (the Schedule) for the year ended [date]. | Whether the Schedule has been prepared in accordance with the Code. |

We confirm, to the best of our knowledge and belief, having made the enquiries we considered necessary to appropriately inform ourselves, the following representations made to you during your audit.

ACCOUNTING RECORDS AND TRANSACTIONS[[1]](#footnote-1)

We have given you:

* all financial records and related data, other information, explanations and help necessary to conduct the audit
* information on all government financial assistance received by the Council due to the impact of COVID‑19[, bushfires] [and floods]
* information on all council fees that have been reduced or waived due to the impact of COVID‑19
* information on rent holidays or concessions granted to lessees of council property due to COVID‑19
* information on rent holidays or concessions received by the council as lessee due to COVID‑19
* minutes of all meetings (e.g. Council, Audit, Risk and Improvement Committee or other council and management meetings)
* all legal issues and legal opinions that may be relevant to the [general purpose financial statements, special purpose financial statement(s) and the Schedule]
* information about all deficiencies in internal control of which we are aware
* information about all changes in procedures and controls arising as a result of the COVID‑19 pandemic
* all relevant information on the impact of COVID‑19 on the Council
* additional information you have requested from us for the audit
* unrestricted access to all people in the Council from whom you determined it necessary to obtain audit evidence from.

All transactions have been recorded in the accounting records and are reflected in the [general / special purpose] financial statements, including all ‘off‑balance sheet’ agreements or instruments. [*We confirm the Schedule is complete, valid and includes only relevant transactions* – include wording as appropriate].

We have examined all actions taken by the Council in response to COVID‑19, and ensured that these are appropriately reflected in the [general / special purpose] financial statements [and Schedule].

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| Unless the audit team has been able to access council premises and sight original documentation or the audit was completed before access restrictions came in place, the audit team must include the following representations to address an increased reliance on electronic or scanned copies of documentation. |

For financial records and related data provided electronically to the audit team, we confirm:

* the information has been obtained directly from our accounting systems, and is complete and unaltered
* scanned information is complete and unaltered from the original source document
* we have put processes and controls in place to ensure that information that has been converted in a form that can be provided remotely (such as email) is complete and accurate.

COMPLIANCE WITH LEGISLATION AND OTHER REQUIREMENTS[[2]](#footnote-2)

We have reviewed legislation we are required to comply with, contracts, agreements and licensing conditions to detect breaches or possible breaches which may impact the [*general / special purpose financial statements and the Schedule* – include wording as appropriate].

|  |
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| Select the appropriate option. |

We have no knowledge of any breaches or possible breaches of legislation, contracts, agreements or licensing conditions, the effects of which should be considered when preparing the [*general / special purpose financial statements and the Schedule* – include wording as appropriate].

[OR]

We have disclosed to you all known or suspected instances of non‑compliance with legislation, contracts, agreements or licensing conditions, the effects of which we considered when preparing the [*general / special purpose financial statements and the Schedule* – include wording as appropriate].

With respect to our operations during the year, we have complied with all:

* cabinet and other government directives [including Ministerial orders issued under the LG Act]
* Office of Local Government (OLG) within the Department of Planning, Industry and Environment guidelines, circulars and financial reporting requirements
* contractual agreements where non‑compliance could materially affect the [*general / special purpose financial statement and the Schedule* – include wording as appropriate]
* directions, regulation and requirements imposed by relevant regulatory bodies.

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| Select the appropriate option. |

There has been no communication to/from regulatory authorities or OLG concerning:

* breaches of or non‑compliance with legislation, licensing conditions or other requirements
* deficiencies in financial reporting practices that could have a material effect on the [*general / special purpose financial statements and the Schedule* – include wording as appropriate].

[OR]

We have disclosed to you all communications to/from regulatory authorities or OLG concerning:

* breaches of or non‑compliance with legislation, licensing conditions or other requirements
* deficiencies in financial reporting practices that could materially impact the [*general / special purpose financial statements and the Schedule* – include wording as appropriate].

We considered the substance of those communications when preparing the [*general / special purpose financial statements and the Schedule* – include wording as appropriate].

We have notified you of:

* the existence of all entities approved by the Minister under Section 358 of the LG Act
* the existence of all council entities as defined under Section 415 of the LG Act
* all transactions or arrangements capable of being regarded as ‘private sector funded infrastructure’, or outsourcings of significant areas of activity
* all Ministerial orders issued under the LG Act.

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| Select the appropriate option. |

All operations and activities undertaken are specifically allowed by the LG Act [and [*County Council name’s*] enabling proclamation].

We have notified you of all:

* new programs that the Council has or will implement as a result of COVID‑19
* existing Council operations or programs that will permanently cease as a result of COVID‑19.

[OR]

We have notified you of all activities or operations we conduct that are not specifically allowed by the LG Act [and [*County Council name’s*] enabling proclamation]. We have given you the relevant authorisations to conduct those activities.

We have notified you of all:

* new programs that the Council has or will implement as a result of COVID‑19
* existing Council operations or programs that will permanently cease as a result of COVID‑19.

[OR]

We have notified you of all activities or operations we conduct that are not specifically allowed by [the LG Act [and [*County Council name’s*] enabling proclamation]. However, we are unable to provide you with any authorisation to conduct those activities.

We have notified you of all:

* new programs that the Council has or will implement as a result of COVID‑19
* existing Council operations or programs that will permanently cease as a result of COVID‑19.

INTERNAL CONTROLS

We have established and maintained adequate internal controls to:

* prepare reliable [*general / special purpose financial statements and the Schedule* – include wording as appropriate]
* maintain adequate financial records
* apply appropriate accounting policies
* record all material transactions in accounting records underlying the [*general / special purpose financial statements and the Schedule* – include wording as appropriate]
* ensure there is appropriate oversight of emergency procurement and new suppliers added to the supplier masterfile
* minimise the risk electronic signatures are inappropriately applied
* ensure security settings for remote connections and secure individual access mechanisms are in place and operating effectively
* monitor and detect unauthorised computer access to the network
* appropriately manage new programs implemented as a result of COVID‑19
* provide oversight of staff working remotely
* minimise the theft of Council assets
* minimise the risk of fraud and errors
* detect fraud and errors should they occur
* minimise the risk of significant breaches of legislation and other mandatory requirements and detect breaches if they occur.

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| Select the appropriate option. |

We have no known deficiencies in internal controls.

[OR]

We have disclosed to you all known deficiencies in internal controls and their potential impact on the financial statements presented by the Council.

FRAUD AND ERROR

We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud and error.

We have disclosed to you our assessment of the risk the [*general / special purpose financial statements and the Schedule – include wording as appropriate*] may be materially misstated because of fraud.

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| --- |
| Select the appropriate option. |

We have no knowledge of any fraud or suspected fraud affecting the Council involving:

* management
* employees who have significant roles in internal control
* others where the fraud could materially affect the [*general / special purpose financial statements and the Schedule* – include wording as appropriate].

We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Council’s [*general / special purpose financial statements and the Schedule* – include wording as appropriate] communicated to us by employees, former employees, analysts, regulators or others.

Fraud includes misstatements resulting from fraudulent financial reporting and misstatements resulting from the misappropriation of assets.

[OR]

We have disclosed to you our knowledge of any fraud or suspected fraud affecting the Council involving:

* management
* employees who have significant roles in internal control
* others where the fraud could materially affect the [general / special purpose financial statements and the Schedule – include wording as appropriate].

We have disclosed to you our knowledge of all allegations of fraud or suspected fraud affecting the Council’s [general / special purpose financial statements and the Schedule – include wording as appropriate] communicated to us by employees, former employees, analysts, regulators or others.

The principal officer of the Council has reported any known or suspected fraud to the Independent Commission Against Corruption as required by section 11(2) of the Independent Commission Against Corruption Act 1988.

INTERNAL AUDIT

We operate an effective internal audit function and management promptly acts upon recommendations for improvement and rectifies reported shortcomings.

We have appropriate internal audit and risk management systems, which satisfy the requirements of OLG’s ‘Internal Audit Guidelines’ (Guidelines). In particular, we have:

* ensured the General Manager is ultimately responsible and accountable for Council’s risk management
* established and maintained a risk management framework that is appropriate to the Council
* established and maintained an internal audit function that reports functionally to the Audit, Risk and Improvement Committee and administratively to the General Manager
* ensured the operation of the internal audit function is consistent with the ‘Institute of Internal Auditors (IIA) Standards and the IIA Code of Ethics for performance standards, practices and guidelines’
* established an Audit, Risk and Improvement Committee with a majority of independent members and an independent chair
* ensured the Audit, Risk and Improvement Committee operates as an advisory committee that assists the [General Manager] review aspects of the Council’s operations listed in the LG Act
* ensured the Audit, Risk and Improvement Committee has a charter consistent with the ‘sample internal audit charter’ in the Guidelines.

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| Remove the requirements above that the council has not satisfied and select the paragraphs below as appropriate. |

We have disclosed to you instances where we:

* have not satisfied the requirements of the Guidelines
* believe non‑compliance with the requirements of the Guidelines may have caused the internal audit function to be ineffective for all or part of the reporting period.

LITIGATION AND CLAIMS

We confirm all known actual or possible litigation and claims that should be considered when preparing the [*general / special purpose financial statements, and the Schedule* – include wording as appropriate], have been disclosed to you. The effects of these events have been accounted for and disclosed in accordance with the applicable financial reporting framework.[[3]](#footnote-3)

We have provided to you all information regarding material outstanding legal matters.

SERVICE ORGANISATIONS[[4]](#footnote-4)

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| --- |
| Only include the commentary below if the council uses a service organisation.Select the appropriate option. |

We have:

* no knowledge of any fraud, non‑compliance with legislation or uncorrected misstatements attributable to the service organisation’s management or employees that materially affect the [*general / special purpose financial statements and the Schedule* – include wording as appropriate]
* advised you of the impact of COVID‑19 on our shared service arrangements including the impact on our service organisations.

[OR]

We have:

* notified you of all fraud, non‑compliance with legislation or uncorrected misstatements attributable to the service organisation’s management or employees that materially affect the [*general / special purpose financial statements and the Schedule – include wording as appropriate*]
* advised you of the impact of COVID‑19 on our shared service arrangements including the impact on our service organisations.

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| Specific representations for the GPFS and/or SPFS for Declared Business Activities engagements below. If the Representation Letter will not cover the:* GPFS – delete the GPFS section
* SPFS – delete the SPFS section
* neither the GPFS or SPFS – delete the entire section.
 |

GENERAL PURPOSE FINANCIAL STATEMENTS AND SPECIAL PURPOSE FINANCIAL STATEMENTS FOR DECLARED BUSINESS ACTIVITIES

We acknowledge our responsibility for keeping proper accounts and records, and preparing the general purpose [and special purpose] financial statements (the financial statements).

## General Purpose Financial Statements

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| --- |
| Where a council does not comply with an Australian Accounting Standard, legal obligation, etc. and acknowledges the non‑compliance in its general purpose financial statements, management need to disclose the non‑compliance here. The Statement by Councillors and Management under section 413 of the [***Local Government Act 1993***](http://www.legislation.nsw.gov.au/#/view/act/1993/30) needs to also disclose details of the non‑compliance. |

We approved the general purpose financial statements for the Council on [date] and confirm they are free of material misstatements, including omissions.

We believe, in all material respects, the general purpose financial statements present a view that is consistent with our understanding of the Council’s financial position as at [date], and its financial performance for the year then ended[[5]](#footnote-5). [Amend wording for consolidated entities so representations refer to the ‘parent entity and the consolidated entity'].

We have fulfilled our responsibilities, as set out in the Annual Engagement Plan dated [date] and the [Terms of Engagement](https://www.audit.nsw.gov.au/our-stakeholders/local-government), for preparing the general purpose financial statements in accordance with Australian Accounting Standards, the LG Act, the Code, and [insert references to other legislation if applicable ‑ for example Charitable Fundraising Act 1991, Corporations Act 2001 and/or Division 60 of the Australian Charities and Not‑for‑Profits Commission Act 2012[[6]](#footnote-6)].

|  |
| --- |
| Select the appropriate option. |

We confirm the financial statements are fairly presented in accordance with these requirements.

We confirm there have been no deficiencies in financial reporting practices and changes to accounting policies, including voluntary changes not arising from the initial adoption of an Accounting Standard [or an OLG / Department mandate], are properly disclosed in the financial statements.

[OR]

We confirm the financial statements are fairly presented in accordance with these requirements, except for the instances that we have disclosed to you where we have not complied with the requirements, including Australian Accounting Standards or legal obligations. Where relevant, we have acknowledged the non‑compliance in our financial statements. Changes to accounting policies, including voluntary changes not arising from the initial adoption of an Accounting Standard or an OLG mandate, are properly disclosed in the financial statements.

## Special Purpose Financial Statement for Declared Business Activities

We approved the special purpose financial statements for [name of declared business activity[[7]](#footnote-7) / Council’s Declared Business Activities listed below] on [date] and confirm they are free of material misstatements.

The Declared Business Activities of the Council are:

* [Insert the name of each business activity.]

We believe, in all material respects, the special purpose financial statements present a view that is consistent with our understanding of Council’s Declared Business Activities for the year then ended5].

We have fulfilled our responsibilities, as set out in the Annual Engagement Plan dated [date] and the [Terms of Engagement](https://www.audit.nsw.gov.au/our-stakeholders/local-government), for preparing the Council’s special purpose financial statements in accordance with the requirements of OLG / the Department, the LG Act, the Code and [insert references to other legislation if applicable].

## Classification of assets and liabilities

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| Select the appropriate option. |

We have no plans or intentions that may materially affect the carrying values or classification of assets or liabilities.

[OR]

We have advised you or any plans or intentions by the Council as a result of COVID‑19[,bush fires] [and floods] that may materially affect the carrying values or classification of assets or liabilities.

## For‑profit/not‑for‑profit classification

We have considered all aspects in evaluating whether Council’s controlled or jointly controlled entit[y/ies] [is / are] ‘For‑Profit’ or ‘Not‑For‑Profit’. Our classification is supported by consideration of:

* statements about the entity’s objectives, such as those contained in governing documents, entity constitutions and shareholder resolutions
* the entity’s governance framework, i.e. the corporate structure
* the entity’s targeted financial performance, as agreed between the entity and the Council, focusing on the extent to which the Council funds its expenses, maintains its asset base and provides returns.

## Impairment of trade and lease receivables and contract assets

We have reviewed the Council’s methodology for determining expected credit losses for trade and lease receivables, and contract assets and we confirm:

* the impairment estimate is based on the best available information about past events, current conditions and forecasts of economic conditions at the reporting date
* the impairment of trade and lease receivables, and contract assets is sufficient to cover the expected credit losses from possible default events
* the financial statements appropriately disclose the judgements, assumptions and estimation uncertainty for determining expected credit losses for trade and lease receivables, and contract assets
* we have written off all debts where we have no reasonable prospects of recovering any further cashflows.

## Inventories

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| Select the appropriate option. |

The Council has no obsolete or excess inventory. Inventory is stated at an amount that does not exceed the lower of cost or net realisable value.

We have no plans to abandon product lines or other plans or intentions that will result in excess or obsolete inventory.

[OR]

Inventories held for distribution by the Council are measured at cost and have been adjusted for any loss of service potential.

Where inventories have been adjusted for a loss of service potential we confirm:

* we have disclosed to you the basis of any loss of service potential resulting from functional or technical obsolescence
* disclosed in the financial statements the assumptions and basis for determining the loss of service potential.

## Other current assets

We expect to realise all other current assets for at least the amounts they are stated at in the financial statements.

## Non‑current assets

The Council has satisfactory title of all assets. There are no liens or encumbrances on assets, nor has any asset been pledged as collateral.

We depreciate physical assets and amortise intangibles on a systematic basis over their useful lives. Useful lives are adjusted for all material items of infrastructure, property, plant and equipment and intangibles such as software, that are or are becoming technically, functionally or commercially obsolete, or have been abandoned or are otherwise unusable.

We have:

* reviewed depreciation and amortisation rates against estimated asset usage and useful lives considering the impact of COVID‑19[, bushfires] [and floods]
* recognised and disclosed in the financial statements the most recent assessment of the useful lives
* provided you with the basis of all relevant assumptions in depreciation models.

We have considered the impact of COVID‑19[, bushfires] [and floods] on the carrying amount of each physical non‑current asset and we confirm that at the end of the reporting period:

* the carrying value of each physical non‑current asset does not materially differ from its fair value
* significant fair value assumptions, including those with high estimation uncertainty, are reasonable
* the financial statements appropriately disclose the judgements, assumptions and estimation uncertainty in determining the fair value of non‑current assets.

When conducting our annual assessment of the impairment of assets, including intangibles, right of use assets and cash generating units (CGUs), we confirm:

* the requirements of AASB 136 ‘Impairment of Assets’ have been considered
* the impact of COVID‑19[, bush fires] [and floods] have been considered
* where recoverable amount has been calculated using discounted cash flows, the assumptions and discount rates used reflect current market conditions
* no asset or CGU’s carrying amount exceeds its recoverable amount.

We have communicated to you all indicators of impairment and where these exist we have conducted an appropriate impairment assessment of the relevant asset or CGU.

## Liabilities

We have recognised all liabilities including those arising under derivative financial instruments in the financial statements.

## Provisions, contingent assets and contingent liabilities

We have properly recorded and/or disclosed in the financial statements:

* arrangements involving restrictions on cash balances, compensating balances and line‑of‑credit or similar arrangements
* agreements or options to repurchase assets previously sold
* material or contingent liabilities or assets including those arising under derivative financial instruments
* insurance recoveries as a result of COVID‑19[, bushfires] [and floods]
* our obligations to make good, restore, rehabilitate and reinstate the Council’s tip and quarry.

## Post‑employment benefits

All post‑employment benefits have been identified and properly accounted for and all events impacting the post‑employment benefit plans have been brought to the actuary’s attention.

For defined benefit plans:

* the actuarial assumptions underlying the valuation of the plan:
	+ - * accord with the [relevant governing body’s] best estimate of future events and are consistent with our knowledge of the business
			* have been updated to reflect the current economic conditions
* the actuary’s calculations have been based on complete and up‑to‑date member information
* the amounts included in the financial statements derive from the work of the actuary are in accordance with the requirements of AASB 119 ‘Employee Benefits’
* the financial statements disclose the significant changes to assumptions and estimates including any estimation uncertainty in the assumptions used.[[8]](#footnote-8)

## Commitments

We have properly recorded and/or disclosed losses arising from the fulfilment of, or inability to fulfil any sale, purchase or lease commitment in the financial statements.

We have disclosed all material commitments for construction or acquisition of property, plant and equipment, and purchases of other non‑current assets, such as investments or intangibles, in the financial statements.

## Contracts

We have reviewed our contracts for the impact of COVID‑19 to assess:

* the impact of force majeure provisions
* whether any contracts have become onerous and requiring a provision to be recognised in the financial statements
* the impact of contract renegotiations or modifications on the financial statements.

We confirm:

* where a contract is onerous, a provision has been recognised in the financial statements
* any contract modifications have been reflected in the financial statements in accordance with the relevant accounting standard.

## Taxation

We have calculated the taxation equivalent charges in the SPFS of Declared Business Activities according to the requirements in the OLG Guidelines ‘Pricing and costing for Council Businesses: A Guide to Competitive Neutrality [and the NSW Office of Water ‘Best Practice Management of Water Supply and Sewerage Guidelines’].

We have calculated and recognised all other applicable taxes according to relevant tax legislation.

## Related Party Transactions[[9]](#footnote-9)

We have appropriately accounted for and disclosed related party relationships and transactions, in accordance with the requirements of Australian Accounting Standards and confirm that:

* material related party transactions and their related balances, including receivables, payables, sales, purchases, loans, transfers, leases, commitments, indemnities and guarantees (written or oral) have been properly recorded and disclosed in the financial statements
* we have identified Council’s key management personnel (KMP) and, where appropriate, disclosed all compensation paid or payable (including non–monetary compensation) to them for the period.

We have disclosed to you the identity of Council’s related parties, [and its controlled and/or related entities] as defined in AASB 124 ‘Related Party Disclosures’. These include the Council’s KMP and their related parties, including their close family members and their controlled and jointly controlled entities.

We have disclosed to you the relationships, transactions and balances between KMPs and their related parties and the Council [and its controlled and/or related entities] of which we are aware that may be either qualitatively or quantitatively material.

We have made available to you details and records of:

* agreements or transactions between KMP and their related parties and the Council [and its controlled and/or related entities]
* equity interests or directorships held by KMP and their related parties in other entities, which are party to any agreements or transactions with Council [and its controlled entities and/or related entities]
* external accounting or legal advice received on these agreements, transactions or interests.

## Environmental issues

We have considered whether environmental matters could materially impact the financial statements and conclude we are not aware of:

* any material liabilities or contingencies arising from environmental matters, including those resulting from illegal or possibly illegal acts
* environmental matters that may result in material impairment of assets.

Where we are aware of matters referred to in the points above, we have disclosed all related facts to you.

## Uncorrected accounting misstatements[[10]](#footnote-10)

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| Management and, where appropriate, those charged with governance need to provide written representation regarding uncorrected misstatements for each of the financial statements to which this representation letter refers. A summary of misstatements, other than those the audit team has determined to be clearly trivial, need to be included below or attached to this document for each of the relevant financial statements. |

We acknowledge the attached schedule of uncorrected misstatements has been brought to our attention and we have considered the impact on the financial statements. We conclude the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

We have also considered the impact of uncorrected misstatements from previous periods and conclude the aggregate of these is immaterial to the previous and current financial statements.

[OR]

There were no monetary misstatements or disclosure deficiencies identified during the audit of the financial statements.

## Prior period errors identified in the current year

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| Only include if material prior period errors have been identified in the current year requiring adjustment to the financial statements. |

We have advised you of and adjusted the financial statements for all material misstatements identified from previous periods.

|  |
| --- |
| Obtain a further representation for the correction of a material misstatement in a prior period that affects comparative information. |

[Insert specific representations for any restatement of comparative information to correct a material misstatement in a prior period.[[11]](#footnote-11)]

## Native title land claims

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| Select the appropriate option. |

We have advised you of all the facts of native title land claims that may materially impact the financial statements.

[OR]

We are not aware of any native title land claims that may materially impact the financial statements.

## Insurance

We have established procedures to assess the adequacy of insurance cover on all assets and insurable risks. We believe, where appropriate, assets and insurable risks including the impact of COVID‑19, are adequately covered by insurance.

## Accounting estimates

We confirm the methods, data, and significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.[[12]](#footnote-12)

We confirm the disclosures related to accounting estimates are complete and appropriate.

## Fair value measurements and disclosures

Where assets and liabilities are recorded at fair value, the value attributed to these assets and liabilities is, in the opinion of the [relevant governing body], the fair value.

We confirm the significant assumptions used in fair value measurements and disclosures are reasonable and appropriately reflect our intent and ability to carry out specific courses of action on behalf of the Council.

We confirm the measurement methods, including related assumptions, used by management in determining fair values within the applicable financial reporting framework are appropriate and have been consistently applied. We have considered:

* possible credit value adjustments and debit value adjustments for the credit risk of counterparties
* the impact of the current economic conditions and the impact of COVID‑19
* non‑performance risk including, but not limited to the Council’s own credit risk
* the impact of embedded derivatives.

We confirm the fair value disclosures in the financial statements are complete, appropriate and disclose details of estimation uncertainties.

## Going concern

We have considered the impact of COVID‑19 on the Council and confirm the going concern basis [is / is not] appropriate for the financial statements.

|  |
| --- |
| Insert the following if events or conditions have been identified that may cast significant doubt on the council’s ability to continue as a going concern. |

We have given you our plans for future action, including our assessment of the feasibility of these plans.[[13]](#footnote-13)

## After balance date events[[14]](#footnote-14)

All events occurring between the end of the reporting period and the date of this letter and for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed in the financial statements.

[OR]

No events have occurred between the end of the reporting period and the date of this letter that require adjustment to, or disclosure in, the financial statements.

## Electronic presentation of the audited financial statements and audit report

With respect to publication of the financial statements on our website, we:

* acknowledge we are responsible for the electronic presentation of the financial statements on our website
* will ensure the electronic version of the audited financial statements and the Independent Auditor’s Report on our website are identical to the final signed hard copy of the audited financial statements and the Independent Auditor’s Report
* will clearly differentiate between audited and unaudited information in the construction of our website as we understand the risk of potential misrepresentation between unaudited and audited information in the absence of appropriate controls
* have assessed the controls over the security and integrity of the data on our website and adequate procedures are in place to ensure the integrity of the published information
* will ensure that where the Independent Auditor’s Report is published on our website, the related financial statements are also published in full.

|  |
| --- |
| If the council’s controlled or jointly controlled entity is required to comply with the requirements of the Corps Act include the following:* we have complied with the requirements of the Corporations Act 2001 with respect to the electronic presentation of the audited financial statements, where applicable.
 |

## Subsidiaries

We have obtained all necessary information from subsidiaries, including those not applying Australian Accounting Standards and have made appropriate adjustments to the information to enable the preparation of the financial statements.

## Impairment of financial assets

We have recognised an allowance for all expected credit losses (ECLs) for all debt financial assets not held for though profit or loss (FVPL).

At the reporting date we have recognised a loss allowance based on:

* 12‑month ECL for debt financial assets not held at FVPL (other than non‑rates and annual charges) where there has been no significant increase in credit risk since initial recognition
* lifetime ECL for non‑rates and annual charges, and other debt financial instruments not held at FVPL where there has been a significant increase in credit risk since initial recognition.

We confirm:

* the impairment estimate is based on the best available information about past events, current conditions and forecasts of economic conditions at the reporting date
* the impairment is sufficient to cover the ECLs from possible default events
* the financial statements appropriately disclose the judgements, assumptions and estimation uncertainty for determining ECLs
* we have written off all debts where we have no reasonable prospects of recovering any further cashflows.

## Financial instruments

We have provided you with:

* appropriate explanations for all reclassifications of financial instruments during the year, in accordance with the requirements of Australian Accounting Standards
* details of any changes in the Council’s business model for financial assets under AASB 9 ‘Financial Instruments’
* all financial guarantees issued by the Council.

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| Entities using financial instruments may be required to make additional representations. Example representations are included in paragraph 142 of Guidance Statement [**GS 020**](http://www.auasb.gov.au/Pronouncements/AUASB-Guidance-Statements.aspx) ‘Special Considerations in Auditing Financial Instruments’. |

## Other

We understand your examination of the financial statements was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the financial statements of the Council taken as a whole, and your tests of the financial records and other auditing procedures were limited to those you considered necessary for that purpose.

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| Delete the ‘Special Schedule’ section below if the audit is not required or will not be included in this Representation Letter. |

SPECIAL SCHEDULE – PERMISSIBLE INCOME FOR GENERAL RATES

We acknowledge our responsibility for:

* keeping proper accounts and records, and preparing Special Schedule – Permissible income for general rates (the Schedule)
* ensuring the Schedule is prepared in accordance with the Code and in accordance with the books and records of the Council.

We approved the Schedule on [date] and confirm it is free of material misstatements.

## General

We believe, in all material respects, the Schedule presents a view that is consistent with our understanding of operations for the year ended [date].

We have fulfilled our responsibilities, as set out in the Annual Engagement Plan dated [date] and the [Terms of Engagement](https://www.audit.nsw.gov.au/our-stakeholders/local-government), for preparing the Schedule in accordance with the Code and in accordance with the books and records of the Council. The Schedule is in all material respects prepared in accordance with these requirements.

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| Where a council does not to comply with a requirement of the Code, management needs to disclose the non‑compliance. Select the appropriate option below. |

We confirm:

* there have been no deficiencies in financial reporting practices
* all transactions have been recorded in the accounting records
* the Schedule is complete, valid and only includes the transactions required by the Code
* the Schedule reflects the impact of COVID‑19.

[OR]

We have disclosed to you all instances of non‑compliance with the Code.

## Uncorrected accounting misstatements

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| Management and where appropriate, those charged with governance, need to provide written representation regarding uncorrected misstatements for the Schedule. A summary of misstatements, other than those the audit team has determined to be clearly trivial, need to be included below or attached to this document. |

There were no monetary misstatements in the Schedule.

[OR]

We acknowledge the attached schedule of uncorrected misstatements has been brought to our attention and we have considered the impact on the Schedule. We conclude the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the Schedule.

## After balance date events

All events occurring between the end of the reporting period and the date of this letter that require adjustment or disclosure have been adjusted or disclosed in the Schedule.

[OR]

No events have occurred between the end of the reporting period and the date of this letter that require adjustment to, or disclosure in, the Schedule.

## Other

We understand your examination of the Schedule was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the Schedule, and your tests of the financial records and other auditing procedures were limited to those you considered necessary for that purpose.

ACCOUNTING FOR INTERESTS IN OTHER ENTITIES

## Accounting for controlled entities

We have disclosed to you our assessment of control for all entities in which we have an equity or other interest. The assessment was conducted in accordance with Australian Accounting Standards.

## Accounting for investments in joint arrangements

We have made available to you details and records of all ownership interests held in joint arrangements.

## Accounting for investments in associates

We have made available to you details and records relating to the existence and ownership of all equity interests held in associates (i.e. all entities over which Council has significant influence).

OTHER

## Other Information included in Council’s annual report

We have informed you of all documents we expect to issue that may comprise ‘other information’ (financial and non‑financial, excluding the financial statements and auditor’s report) in our annual report.

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| Select the appropriate option. |

We have provided you with the other information included in our annual report. We confirm it is consistent with the [*general / special purpose financial statements and the Schedule – include wording as appropriate*] and does not contain any material misstatements.

[OR]

We will provide you with other information to be included in our annual report [by [date] /when available] so you can perform the procedures required by Australian Auditing Standards before its issue.[[15]](#footnote-15)

## Other information

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| Additional representations should be considered in the following situations:* other information is included in the financial statements (due to other statutory requirements)
* opinions and/or representations by management are included in the notes to the financial statements (e.g. the anticipated outcome of litigation)
* environmental matters
* compliance with laws and regulations (where the audit is required to report this or where the financial statements are required to be prepared in accordance with a prescribed Act, or
* other matters (change in accounting policy or when the work of a specialist is used).

Refer to [**ASA 580**](http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx) Appendix 2 for illustrative examples of representations.Audit teams and councils should include issues not addressed elsewhere that are relevant to the audit in this section. |

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| Where appropriate, this Representation Letter should also be signed by those charged with governance, or a separate Representation Letter(s) may be sought (paragraphs 8 and A1 of [ASA 580](http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx)). |

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[General Manager]

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[Chief Financial Officer’s (or equivalent) Title]

1. This representation is mandatory under Appendix 2 of [**ASA 580**](https://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx). [↑](#footnote-ref-1)
2. This representation is mandatory under paragraph 17 of [**ASA 250**](http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx). [↑](#footnote-ref-2)
3. This representation is mandatory, where appropriate, under paragraph 6 of [**ASA 502**](https://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx). [↑](#footnote-ref-3)
4. Under paragraph 40(c)(iii) of [**ASA 240**](https://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx) management is required to disclose to the auditor their knowledge of fraud or suspected fraud affecting the entity involving ‘others where the fraud could have a material effect on the financial statements’. [↑](#footnote-ref-4)
5. When the financial statements cover a period other than for the full financial year, refer to that period. [↑](#footnote-ref-5)
6. Do not include reference to Division 60 of the **ACNC Act 2012** if the council’s controlled or jointly controlled entity applies transitional reporting arrangements. [↑](#footnote-ref-6)
7. Use this option if the council only has one declared business activity. [↑](#footnote-ref-7)
8. **Where an actuary is not applicable, make reference to the responsible person performing this role.** [↑](#footnote-ref-8)
9. This representation is mandatory under paragraph 26 of [**ASA 550**](https://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx), if applicable to the council. [↑](#footnote-ref-9)
10. This representation is mandatory under paragraph 14 of ASA 450. [↑](#footnote-ref-10)
11. This representation is mandatory under paragraph 9 of ASA 710. [↑](#footnote-ref-11)
12. This representation is mandatory under paragraph 37 of [**ASA 540**](http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx). [↑](#footnote-ref-12)
13. **This representation is mandatory if an event or condition casts significant doubt on the entity’s ability to continue as a going concern (refer paragraph 16(e)** [**ASA 570**](http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx)**).** [↑](#footnote-ref-13)
14. **T**his representation is mandatory under paragraph 9 of [**ASA 560**](http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx). [↑](#footnote-ref-14)
15. **This representation is only mandatory when some or all of the documents comprising Other Information will not be available before the IAR is issued (refer paragraph 13(c) of** [**ASA 720**](http://www.auasb.gov.au/Pronouncements/Australian-Auditing-Standards.aspx)**).** [↑](#footnote-ref-15)