

Independent Auditors' Report to the City of Wanneroo ("the City") on the Annual Cost Review for Cell 6

Scope

We have performed an audit of the Annual Cost Review of cell costs for Cell 6 and reviewed the methodology used in calculating and estimating cell costs for the remaining cell works, to establish the accuracy of the Annual Cost Review of Cell 6 as per the District Planning Scheme No. 2 ("DPS 2") and provide independent certification of such costs. Our Annual Review for 2021/22 covered actual transactions from 1 July 2020 to 30 June 2021 and estimated costs for future years, while ascertaining that the actual expenditure incurred gives a true and fair view and ensure that the assumptions used in the estimations of DCP costs are in accordance with the DPS 2.

The City's Responsibilities

The City is responsible for ensuring that the cell costs incurred, estimated and the Infrastructure Cost Per Lot ("ICPL") charged are in accordance with the DPS 2 and related regulations, policies and procedures. The City is responsible for ensuring that all cell cost records are free of misstatements and omissions, and establish adequate internal controls for cell cost incurring, estimating and the calculation of ICPL rates, and ensure that adequate financial records have been maintained. The City is responsible for providing all financial records and related data, other information, explanations and assistance necessary for the conduct of the audit of the cell cost reviews.

Compliance with Independence and Other Ethical Requirements

We have complied with the relevant independence and other ethical requirements relating to assurance engagements, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Auditor's Responsibilities

Our responsibility is to express an opinion on the reasonability of the methodology used, in calculating and estimating cell costs for the remaining cell works, and assess the documentation provided to certify that the cell costs are incurred and estimated as per the DPS 2. We conducted our audit in accordance with Auditing Standards. These Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the methodology used in forming the basis of cost incurring, ICPL rate calculation and estimation is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the methodology used in forming the basis on the relevance of cell costs incurred and estimations made for the remaining cell development works.

The procedures selected depend on the auditor's judgement including the assessment of the risks of material misstatement of the methodology used. In making those risk assessments, the auditor considers internal control relevant to the City's preparation of the methodology used in forming the basis of cost incurring and cell cost estimations in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

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An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the City, as well as the City's alignment to DPS 2.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Limitation on the scope

- We have not performed any market valuation assessment of lands and relied on third party valuation reports of McGees Property signed by certified practicing valuers, for validating the reliability of land acquisition costs estimated.
- We have not applied any requirements of the State Planning Policy 3.6 ("SPP 3.6") for evaluating the cost review of Cell 6, as there is no such requirement stated in DPS 2 to consider SPP 3.6 for Cell 6.
- While DPS 2 allows compulsory undertaking charges, DPS 2 does not specify the value or percentages to be applied, and the City has not included a compulsory undertaking charge for District Distributor Roads ("DDR") land acquisition cost estimation for Cell 6, for which the basis of estimation cannot be reasonably established with the available information. The City recognises that the actual amount payable may significantly vary depending on the particular circumstances of the land and landowners at the time of acquisition.

Audit Opinion

In our opinion, other than stated under the Limitation of Scope Paragraph above, in all material respects, the cell costs incurred, estimated for remaining cell development works, and the calculated ICPL rate of negative \$3,708.64 from its current calculated ICPL rate of negative \$1,831.98 were fairly stated and in compliance to DPS 2.

Basis of accounting and restriction of distribution

Without modifying our opinion, we draw your attention to Part 8 Finance and Administration section of the DPS 2, which describes the basis of accounting and the City's methodology and basis used in cell cost incurring, cost estimation of future cell development works and calculating the proposed ICPL rate, for the purpose of reporting to the City. As a result, the methodology used in forming the basis of this may not be suitable for another purpose. Our report is intended solely for the City and should not be distributed or used by other parties' other than the City. The Audit Report is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advices or any information contained within this Audit Report.

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Conley Manifis
Director

Dated this 6th day of August 2021