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REPORT OF FACTUAL FINDINGS

To the General Manager, Kiama Municipal Council

Report of Factual Findings

We have performed the procedures agreed with you and to report factual findings for the purpose of assisting you prepare and submit a response to the merger proposal between Kiama Municipal Council and Shoalhaven City Council dated January 2016. The procedures performed are as discussed and agreed at our meeting on 12 February 2016 and described below.

Kiama Municipal Council's Responsibility for the Procedures Agreed

Council's management are responsible for the adequacy or otherwise of the procedures agreed to be performed by us. You and are responsible for determining whether the factual findings provided by us, in combination with any other information obtained, provide a reasonable basis for any conclusions which you or other intended users wish to draw on the subject matter.

Assurance Practitioner's Responsibility

Our responsibility is to report factual findings obtained from conducting the procedures agreed. We conducted the engagement in accordance with Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*. We have complied with ethical requirements equivalent to those applicable to Other Assurance Engagements, including independence.

Because the agreed-upon procedures do not constitute either a reasonable or limited assurance engagement in accordance with AUASB standards, we do not express any conclusion and provide no assurance on the matters addressed and the outcomes identified in Council's submission. Had we performed additional procedures or had we performed an audit or a review of the matters included in Council's submission in accordance with AUASB standards, other matters might have come to our attention that would have been reported to you.

Factual Findings

The procedures were performed solely to assist you in preparing a submission in regard to the proposed merger with Shoalhaven City Council. The procedures performed and the factual findings obtained are as follows:

| Procedures Performed | Factual Findings | Errors or Exceptions Identified |
|---|--|--|
| 1. We obtained and reviewed Council's revised Asset Management processes and compared the detail of the documented processes with the work recently conducted by Council and documented in Council's submission. | We found that Council has conducted a detailed analysis of its asset management process implemented the revised processes as described. | None |
| 2. We obtained and reviewed Council's Physical Asset Accounting Policy and compared the details of the policy with outcomes from work Council has conducted in re-assessing past and proposed expenditure on Council's physical long-lived assets. | We found the amounts identified as amendments to capital works and repairs to be in accordance with the revised Policy. | None |
| 3. We obtained and reviewed the valuation of Council's selected building assets prepared by APV in February 2016 and compared the information included in that valuation with the details relating to the revaluation of selected assets in Council's submission. | We found that the information provided in the APV valuation was consistent with details included in Council's submission. | None |
| 4. We compared information derived from the review of Council's methodology for determining the nature of expenditure on physical long-lived assets with information contained in the report prepared by Morrison Low dated February 2016. | We found the amounts of identified amendments to proposed expenditure on Council's physical long-lived assets to be consistent with the details included in the report prepared by Morrison Low. | None |

| Procedures Performed | Factual Findings | Errors or Exceptions Identified |
|---|--|--|
| 5. We obtained the revised ratios utilised in the Fit For the Future assessment of Council and compared the revised results with the results of Council's revision of its Physical Asset Accounting Policy. | We found the amended ratios to be consistent with the outcomes of Councils revision of its Physical Accounting Policy. | None |

Restriction on Use of Report

This report is intended solely for the use of Kiama Municipal Council for the purpose set out above. As the intended user of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ASRS 4400, use of this report is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results). Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than Kiama Municipal Council for any consequences of reliance on this report for any purpose.



CARL MILLINGTON
Partner
Pitcher Partners

26 February 2016