

District Council of Yankalilla Audit Committee Report for 2007-08

This report presents a summary of the District Council of Yankalilla Audit Committee's activities undertaken and recommendations made during the 2007-08 financial year. It includes a review of the Committee's Terms of Reference and a proposed work plan for the 2008-09 year.

Conduct of Meetings

The Committee met on seven occasions during 2007-08 with the following attendance:

Date	No of Members Attending
11 th July 2007	3
8 th August 2007	3
7 th November 2007	4
5 th December 2007	4
6 th February 2008	4
5 th March 2008	4
4 th June 2008	4

Committee Member	No of Meetings Attended
Paul Newman (Chairperson)	7
Mayor Peter Whitford	6
Cr. Malcolm Schlein	7
Cr. Andrew Gebhardt	6

Committee Activities

The following table sets out the principal issues addressed by the Committee during 2007-08:

Principal Issues Examined	Comment/Status	Recommendations to Council
1. Term of Reference - Financial Reporting	Financial Statements for the Year Ended 30th June 2007.	Annual Financial Statements for the Year Ended 30th June 2007 be adopted by Council
	Audit Report - Staff Leave Entitlements	Management is advised that the minimum leave taken by staff each year needs to be equal to annually accrued Annual Leave. Management be requested to investigate ways to reduce Long Service Liability.
2. Term of Reference - Internal controls and risk management systems	Contracts and Purchasing Policy	Council adopt the Draft Contracts and Purchasing Policy
	Projects Policy	Council adopt the Projects Approval Policy and the Project Plan
	Budget Reviews	Any new Capital or New Initiative items be funded within the current budgeted borrowings

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	Cash Flow and Loan Drawdown	Council approve a borrowing program up to \$6m from the LGFA for the 2007/08 Budgeted works.
	Treasury Management Policy	Council adopt the Treasury Management Policy
3. Term of Reference - External Audit	Oversight of External Auditor	<p>Council to seek selective tender for Council's Auditors for a term of 5 years.</p> <p>Dean Newbery & Partners be appointed as Auditors for Council for the period 2008-2012.</p> <p>Council Adopt the following policies:</p> <ul style="list-style-type: none"> • Policy on using external auditors for non-audit services • Policy on employing former employees of the external auditor. <p>Procedures to be used by Staff annually after each audit and reported to Audit Committee</p>
4. Term of Reference - Whistle blowing	Whistleblowing Policy	Paper on Fraud, Misappropriation and Whistleblowing information to go to Council as an information item.
5. Term of Reference - Internal audit	Internal Audit Terms of Reference	Management be instructed to enter into discussion with neighbouring councils about possibility of establishing a joint service for the internal audit process.

During 2007-08 Committee members attended the following training courses/sessions:

Training Course/Session	Date(s)	Provider	Members Attending
Nil			

Audit Committee Evaluation

During November 2008 the Committee undertook a self-assessment of its Terms of Reference and its own performance of these. This self-assessment was undertaken in consultation with all Committee members and took account of factors such as:

- the Committee's work program;
- the Committee's operating environment;

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- the stage of maturity of the Committee;
- Council's strategic directions;
- Council's risk and control environment;
- current and emerging trends and factors;
- the outcomes of previous self-assessments.

The Audit Committee's comments and recommendations resulting from its examination of its Terms of Reference are summarised in the following table. (A marked-up copy of the Terms of Reference is attached.)

ToR Item	Comments	Recommendations
Membership	The Council may appoint the principal member of the council as an ex officio member of a committee. Clause 2 needs to be amended to indicate that the principal member is only considered to be a member of the committee when they are in attendance.	Clause 2 (Membership) of the terms of reference is amended to the following. Independent member(s) of the committee shall have recent and relevant financial experience as determined by Council. The Council may appoint the principal member of the council as an ex officio member of a committee (but in such as case the principal member will not be taken to be included in the membership of the committee unless actually present at a meeting of the committee).
Membership	Good governance requires that the membership of the committee not be static. At the same time there is a need to ensure that there are reasonable levels of continuity of experienced members. The committee therefore proposes that maximum terms of appointment be defined.	Clause 5 (Membership) of the terms of reference is amended to the following. Appointments to the committee shall be for a period of up to four years, or until the end of the term of the Council. Appointees may be reappointed by Council. An Elected Members of Council shall not be a member of the committee for more than 8 years. Independent member(s) of the committee shall not be a member of the committee for more than three successive 4 year terms.
Membership	The Council appoints the Presiding Member of the committee. Good governance principles would require that the Mayor not be appointed the Presiding Member of the committee.	Clause 6 (Membership) of the terms of reference is amended to the following. The Council shall appoint one of members of the committee, other than the Presiding Member of the Council, as Presiding Member of the committee.

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Quorum	The current clause regarding the determination of a quorum is not consistent with Section 85 of the Local Government Act.	<p>The Clause in relation to the determination of a quorum is amended to the following.</p> <p>The quorum necessary for the transaction of business shall be ascertained by dividing the total numbers of the committee by 2, ignoring any fraction resulting from the division, and adding 1. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the committee.</p>
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The Audit Committee recommends that Council amend its Terms of Reference in line with the recommendations above.

In December 2008 the Audit Committee undertook a self-assessment of its performance. Council management also provided the committee with its assessment of the Committee's performance. Overall the assessment was positive. The committee has covered most key areas during the last two years. A summary of issues arising out of the self-assessment are summarised below.

Issue	Comment(s)
Creating an effective audit committee.	The composition of the committee places significant workload on the Chairperson.
Overseeing governance, risk management and internal control.	<p>There is a need to clearly articulate the Council's risk appetite for each material category of risk.</p> <p>A risk assessment will be undertaken of the Council's key risks in 2009.</p>
Overseeing internal audit	The LGA best practice suggests that Council's should have an Internal Audit function. In the case of the DCY this function should be outsourced.
Overseeing financial reporting	<p>Accounting Policies in key areas have not been formalised. In addition there is inadequate documentation of internal controls.</p> <p>Key Accounting Policies will be documented and approved by Council in 2009.</p> <p>Internal controls will be documented as part of a risk assessment project.</p>
Overseeing value for money	<p>There is a need for a structured approach to assessing the efficiency and effectiveness of the Council's operations.</p> <p>The first step in this process will be to define Service Standards the Council aims to achieve. The Service Standards must be measurable. This will provide a basis for determining whether resources are being allocated in a manner that optimises the delivery of services.</p>

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Following from its self-assessment process the Audit Committee recommends the following training/professional development for its members:

Training/Professional Development Need	Committee Member
Committee meeting procedures	Paul Newman

Proposed Audit Committee Work Program 2008-09

As a result of its review of activities for 2007-08 the Committee has determined the following key items for inclusion in its work program for 2008-09.

Item	Comment/Status
Budget process	To undertake a review of the budget process to improve the efficiency and effectiveness of the process.
Internal Financial Control Practices and Procedures	Risk Assessment exercise be undertaken on Internal Financial Control Practices and Procedures
Draft 10yr Financial and Asset Management Plans	To be reviewed in December 2008
Major Plant	Review Major plant purchase, maintenance and Utilisation schedules, compared to similar size Councils
Whistleblowing Policy	Produce draft policy, staff nomination as whistleblower officer, train officers, staff consultation on policy
Internal Audit Process	Determine the best method of delivery of Internal Audit services.
Compliance Checklist	To be prepared and reported to Committee quarterly.
Remuneration Policy	Staff draft remuneration policy identifying packaging including salary, superannuation, fringe benefits, salary sacrifice.
Vehicle Use Policy	Staff draft Vehicle Use Policy based on current situation, including private and council usage, level of vehicle, FBT.
Project Plan-Light Vehicles	Project plan for Council's light vehicle fleet.
Functions for review	Determine functions to be review in relation to Council's Operations and Service Provisions.

The Audit Committee recommends the above work program for endorsement by Council.

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Chairperson's Comments

The Committee tackled a wide range of issues in 2007-08. There continues to be a true collaborative approach to addressing issues relating to the Financial Sustainability of the Council.

The year ahead will be challenging. The Council must have a Long Term Financial Plan (LTFP) and the Infrastructure and Asset Management Plans (I&) in place by November. The plan must be consistent with Council's strategic objectives and take into account prioritised needs, including those identified in the I&.

The LTFP should provide the Council and its various stakeholders with an indication of the broad direction of the Council's finances. The plan will always be a work in progress and therefore subject to change over time as new information comes to hand.

I invite comments from the Council regarding its view of the operation of the Committee, its work to date and its priorities for 2008-09.