Reference: AF11/863

TO: JEROEN ZWIJNENBURG (PRESIDING MEMBER)
      DONALD CURRIE
      CR SONYA MEZINEC
      MAYOR LEE (EX OFFICIO)
      CHIEF EXECUTIVE OFFICER
      DIRECTOR - CORPORATE SERVICES
      FINANCE MANAGER
      SIMON SMITH, PARTNER, GALPINS

CC: ALL MEMBERS
      DIRECTOR - OPERATIONAL SERVICES
      MANAGER - GOVERNANCE AND PROPERTY
      TEAM LEADER FINANCE
      MANAGEMENT ACCOUNTANT

NOTICE is given that the Audit Committee will meet in the Civic Centre, Committee Room, Level 4 on Tuesday, 2nd August, 2016 at 5.30 p.m.

An agenda for the meeting is enclosed herewith.

Grant HUMPHRIES
DIRECTOR - CORPORATE SERVICES

25th July, 2016
MJT

AUDIT COMMITTEE

Meeting to be held on Tuesday, 2nd August, 2016 at 5.30 p.m. in the Committee Room, Civic Centre, 10 Watson Terrace, Mount Gambier

AGENDA

PRESENT: Mr Jeroen Zwijnenburg (Presiding Member)
                                  Mr Donald Currie
                                  Cr Sonya Mezinec

APOLOGY/IES: moved that the apology from Mr Donald Currie be
                                  received.

                                                     seconded

COUNCIL MEMBERS/
OTHERS AS
OBSERVERS:

GUESTS: Mr Simon Smith, Auditor, Galpins (to be confirmed)

COUNCIL EMPLOYEES
IN ATTENDANCE: Mr Mark McShane, Chief Executive Officer
                                  Mr Grant Humphries, Director - Corporate Services
                                  Mr Gary Button, Finance Manager
                                  Ms Kahli Rolton, Management Accountant

OTHER APOLOGIES:

WE ACKNOWLEDGE THE BOANDIK PEOPLES AS THE TRADITIONAL CUSTODIANS OF THE LAND WHERE WE MEET TODAY. WE RESPECT THEIR SPIRITUAL RELATIONSHIP WITH THE LAND AND RECOGNISE THE DEEP FEELINGS OF ATTACHMENT OUR INDIGENOUS PEOPLES HAVE WITH THIS LAND.

MINUTES: moved the minutes of the previous meeting held
                                  on Tuesday, 31st May, 2016 be taken as read and confirmed.

                                                     seconded

QUESTIONS:

(a)   With Notice – Nil received

(b)   Without Notice –

1.   **REPORTS FOR INFORMATION**

       The Director - Corporate Services reported;

(a)   the following Reports are referenced for the information of Audit Committee Members;

(b)   the following Reports, being for information purposes only, are available from the Council website under Committee Agendas for the relevant calendar month;

       • 40/2016 Review of Rate Rebate Policy
       • 41/2016 Review of Rating Policy
       • 44/2016 Elector Representation Review

       RECOMMENDATION NO. 1

                                  moved it be recommended that the report be received.

                                  seconded

2. **AUDIT WORK PROGRAM 2014 - 2018 - Ref. AF11/863**

    The Director - Corporate Services reported:

    (a) the Audit Committee should continually review the Audit Work Program to establish whether any adjustments are required to be introduced for the particular financial years activities;

    (b) the Audit Work Program 2014-2018 was last reviewed and adopted in August 2015;

    (c) the following activities and associated timelines (extracted from the Audit Work Program) are provided in abbreviated form, for the Committees reference and review:

    | FIRST QUARTER | • Work Plan |
    | | • Treasury Management Reviews |
    | | • Asset Reviews/Revaluation Strategy |
    | | • Policy reviews incorporating; |
    | | • Internal Controls |
    | | • Fraud and Corruption Framework |
    | | • Whistleblowing |
    | | • Risk Management |
    | | • Budget Performance |
    | SECOND QUARTER | • Interim External Audit |
    | | • Work Plan |
    | | • Business Continuity |
    | | • Business Plan and Budget |
    | THIRD QUARTER | • Work Plan |
    | | • Annual Report to Council incorporating; |
    | | • Self Assessment |
    | | • Review of Work Plan |
    | | • Review of Terms of Reference |
    | FOURTH QUARTER | • Work Plan |
    | | • Statutory External Audit(Inc. Fin. Int. Controls) |
    | | • AFS authorisation by Presiding Member |
    | | • Council Annual Report Compliance |

    RECOMMENDATION NO.2

             moved it be recommended the report be received.

             seconded

3. **EXTERNAL AUDITOR - Ref. AF12/227**

    The Director - Corporate Services reported:

    (a) the following table represents an updated consolidation of the 2015 Audit findings:

AUDIT	FINDING	RISK	STATUS
14/15 E of Y(New)	Risk Register	Moderate	Awaiting Report
	VIC Stock Control	Low	Completed

(b) provided as an attachment is an update on Councils Risk Register review from the Senior Management Team who carry the shared responsibility for the ongoing management of Council's Risk Register.

RECOMMENDATION NO. 3

moved it be recommended:

(a) the report be received;

(b) the Senior Management Team report on the review of Council's Risk Register including the ongoing review approach, treating the document as a living and evolving document, be endorsed by the Audit Committee.

seconded

4. **EXTERNAL AUDITOR - Financial Controls Review - Ref. AF11/714**

The Director - Corporate Services reported:

(a) this financial year the scope of the traditional interim audit was extended to include a review of internal controls to comply with the requirements of Section 129 of the Local Government Act;

(b) the External Auditors Management Letter was considered at the May 2016 Audit Committee Meeting where the following resolution was recorded:

   (a) the External Auditor's Financial Controls Review Management Letter be received;

   (b) the External Auditor be advised of Council Management's response;

   (c) the Audit findings continue to be monitored by the Audit Committee.

(c) in regard to part (c) of the resolution the following table is presented on the outcomes of the Audit findings:

Audit	Finding	Risk	Status
2016	1. Tendering / Procurement - Conflict of Interest Declaration	Moderate	Implemented
	2. General Ledger Reconciliations - Reviewed Independently	Low	Implemented

	3. Rates - Assessment Sampling
	   - Random sampling to be retained
	   - Rate Modelling Procedures
	   - Property Master File Reports
		Low	
			Implemented
			Implemented
			Under Investigation

	4. Payroll
	   - Develop Exceptions Report
	   - Review Audit Trail with Source Documents
		Better Practice	
			Implemented
			Implemented

RECOMMENDATION NO. 4

moved it be recommended the report be received.

seconded

5. CORPORATE & COMMUNITY SERVICES REPORT   NO. 54/2016 - External Audit Services - Ref. AF16/207

The Director - Corporate Services reported:

(a) as reported at the May 2016 Audit Committee Meeting the existing contact for External Audit Services concludes following the 2015/2016 final Audit;

(b) a prescribed in legislation 'the Auditor will be appointed by the Council on the recommendation of Council's Audit Committee';

(c) following a public notification process at the close of the tender period on 1st July, 2016, four (4) tenders were received;

(d) in accordance with Council's Procurement Policy a tender panel was formed to review and assess tenders against the pre-determined assessment criteria resulting in the following recommendation.

RECOMMENDATION NO. 5

moved it be recommended:

(a) Corporate and Community Services report No 54/2016 be received;

(b) Council accept the tender proposal from Galpins, for appointment as External Auditor to the City of Mount Gambier for the 2016/2017, up to and including the 2020/2021 financial years.

seconded

6. FINANCIAL INTERNAL CONTROLS - Internal Audit Program - Ref. AF16/164

The Director - Corporate Services reported:

(a) as reported previously Council has commenced its Financial Internal Controls Program with the attached report (03/2016) being a regular periodic report;

(b) you will note that from the one (1) Control reviewed there are a number of recommendations/improvements that will be actioned and monitored through the MET meeting process.

RECOMMENDATION NO. 6

moved it be recommended:

(a) the report be received;

(b) Financial Internal Controls Report No. 3/2016 be endorsed by Council.

seconded

7.   **AUDIT COMMITTEE SELF ASSESSMENT OF PERFORMANCE - AF11/863**

The Director - Corporate Services reported:

(a)   the Audit Committee Terms of Reference provides for "at least once a year, review its own performance and terms of reference to ensure it is operating at a maximum effectiveness and recommend changes it considers necessary to the Council for approval";

(b)   the Self Assessment should take into account factors such as:

- the Committee's work program
- the Committee's operating environment
- 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 (if any)

(c)   the Audit Committee's comments and recommendations resulting from the Self Assessment is detailed as follows:

Issue	Comment(s)	Recommendation(s)
Role & Terms of Reference	*The Audit Committee is of the view that functions and extent of authority as defined under S126(4) LGA are adequately defined in the Terms of Reference established by Council*	*The Audit Committee is of the view that its role and function is not to compete with the role of the Corporate and Community Services Committee, nor to make decisions in lieu of Council, but rather to examine and comment on financial statements/internal control framework and activities of Council*
Independence	*The Audit Committee is of the view that it is able to form opinions and express views without coercion or undue influence of external persons or bodies*	*The Audit Committee believes the invited attendance of the CEO, Director - Corporate Services, Finance Manager and Management Accountant provides direction without influence. Continued attendance is desirable*
Committee Skills/Training	*The Audit Committee is of the view that its members have been selected due to their qualifications and expertise*	*Members consist of accounting representation and are subject to ongoing professional training*

Council Structure and Decision Making	*The Audit Committee have been made aware of the processes of Council and are provided with copies of public financial statements, policies and reports of Council*	*Audit Committee Members have been made aware of the Council structure and decision making process following the recent review of Council's Decision Making Structure and the completion of an organisational and functional review.*
Meeting Operation and Frequency	*The Audit Committee has been meeting on a regular basis since inception*	*The Audit Committee holds the view that current frequency and duration is adequate to address issues*
Resources available to the Audit Committee	*The Audit Committee utilises the resources of Council through the attendance of the CEO, Director – Corporate Services, Finance Manager, Management Accountant and other employees as requested*	*The Audit Committee has liaised with external auditors and Council employees as required in order to meet its role and terms of reference*
Audit Committee's working relationship with Council and the senior management team	*Council appears to be aware of role and function of Audit Committee. Presence of CEO, Director – Corporate Services, Finance Manager and Management Accountant assist Audit Committee in decision achievement*	*No issues of conflict have arisen. The Audit Committee recognises the significant role played by Council employees to address and advise the Committee*
The Audit Committee members' understanding of financial indicators (and targets for these) being used to assess the Council's performance work program	*The Audit Committee regularly monitors and assesses financial performance indicators as published. Comparison with other Councils and advice from LGA is also noted*	*The Audit Committee holds the view that expenditure allocation, particularly depreciation, greatly affects financial indicators and status*
The Audit Committee's access to appropriate Council information	*The Audit Committee notes the inclusion of its role and function in decisions of major financial expenditure*	*The Audit Committee is able to be involved with complementary committees, receive financial expenditure projections and reviews of major expenditure and contract negotiation and is able to actively participate in Council.*

The extent to which the Audit Committee's advice is contributing to the effective operation of the Council	*The Audit Committee recognises that its role and terms of reference are a requirement of the LGA. Members are cognisant of their requirement to monitor and review financial practices and, public financial statements of Council*	*The Audit Committee holds the view that its function and role will be increasingly viewed as complimentary to Council in its activities for ratepayers*

RECOMMENDATION NO. 7

moved it be recommended:

(a)   the report be received;

(b)   the Audit Committee record that it is satisfied that its performance is meeting Council and other relevant Authority's standards and expectations.

seconded

8.   AUDIT COMMITTEE TERMS OF REFERENCE - Ref. AF11/863

The Director - Corporate Services reported:

(a)   that in conjunction with the Audit Committee self assessment process, there is also a requirement to review the Terms of Reference the Audit Committee works under;

(b)   having completed a review of the Audit Committee Terms of reference (minor procedural amendments only) it is the view of the Audit Committee that the Terms of Reference remain current, relevant and appropriate.

RECOMMENDATION NO. 8

moved it be recommended:

(a)   the report be received;

(b)   the Audit Committee Terms of Reference (as reviewed) be endorsed by Council.

seconded

9.   AUDIT COMMITTEE WORK PROGRAM 2014-2018 - Ref. AF11/863

The Director - Corporate Services reported that as part of the Annual Reporting process to Council, the Audit Committee should review its adopted Work Program.

The opportunity has been taken as part of this years review to modernise and update the Work Program to better reflect current operations of the Audit Committee.

Attached to the Agenda is a copy of the former version as well as the revised version, for comparison.

The revised (version 9) of the Work Program is therefore recommended for adoption.

RECOMMENDATION NO. 9

moved it be recommended:

(a)   the report be received;

(b)   the revised Work Program 2014-2018 (Version 9) be adopted.

seconded

10.   **CORPORATE AND COMMUNITY SERVICES REPORT NO. 55/2016 - Audit Committee Annual Report to Council - AF11/863**

The Director – Corporate Services reported:

4.1   Corporate and Community Services Report No. 55/2016 has been prepared as the Annual report of the Audit Committee to Council for the 2015/2016 financial year;

4.2   Prior to presentation to Council the Audit Committee should review and be satisfied with the content.

RECOMMENDATION NO. 10

moved it be recommended:

(a)   that Corporate and Community Services Report No. 55/2016 be received;

(b)   that the Audit Committee adopt the 2015/2016 City of Mount Gambier Audit Committee Annual Report, as presented in Corporate and Community Services Report No. 55/2016.

seconded

11.   **NEXT MEETINGS** (for confirmation)

   •   Fourth Quarter - Tuesday, 4th October, 2016

The meeting closed at   p.m.

14th June, 2016
MJT/FM

Civic Centre, 10 Watson Terrace
Mount Gambier SA 5290

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City of
Mount Gambier

Memorandum

TO: ACTING CHIEF EXECUTIVE OFFICER

CC: SENIOR MANAGERS TEAM

REF: AF11/1779

RE: **RISK REGISTER REVIEW UPDATE**

Grant

In response to your memorandum dated 26th May 2016 seeking a progress report for the Audit Committee on the progress of the Risk Register Review, I provide the following update on behalf of the Senior Managers Team.

Having considered the Risk Register as an agenda item at its meeting on 12 July 2016 (and as a recurring item at earlier meetings) the Senior Managers Team reports as follows:

- The Risk Register review has occurred and a changed approach adopted for the future review and purpose of the Risk Register.
- The Risk Register has been updated, with a changed approach and purpose that necessitate further information and references to documents and systems that record and report Councils risk management activities.
- The Risk Register will be subject to ongoing review as a living and evolving document.
- The Senior Managers Team recognise the importance of managing risk and to facilitate and encourage discussion the Risk Register will remain a standing on Senior Managers Team meetings

The current Risk Register is available in RM8 at AR16/1554.

Further, the LGRS Risk Profile results for 2016 are also available (refer AR16/253149) with Council's resultant score as follows:

Section	Mt Gambier	Metro (Avg)	Regional (Avg)	LG (Avg)	South East (Avg)
Reputation & Integrity	**6.0**	7.0	5.0	5.4	5.4
Strategic Risk & Governance	**6.0**	7.1	4.9	5.4	5.5
Procurement, Contract Management Systems	**8.0**	7.9	6.6	6.9	8.2
Volunteers/Vulnerable Groups/Committees	**8.0**	8.8	6.1	6.7	7.0
People	**8.5**	7.0	5.0	5.4	6.4
Environment/Vegetation/Trees	**8.5**	8.1	5.5	6.1	6.2
Emergency Management	**7.0**	7.5	5.8	6.2	7.1
Community Land Recreation/Leisure Services	**8.0**	8.1	6.2	6.7	7.7
Road & Footpath Management	**8.25**	7.8	6.4	6.7	6.9
Use by other Parties – Facilities/Land	**8.0**	8.3	6.5	7.0	7.4
Total	**76.25**	**77.6**	**59.2**	**63.5**	**67.8**

Michael McCARTHY
MANAGER GOVERNANCE & PROPERTY
12th July, 2016

Org Chart

Underlying Risk Liklihood/Consequences (Uncontrolled)

No	Description of Risk	Freq.	Severity	Risk Rank	Heirachy of Controls	Source Documents/Plans	Current Control Measures in Place (2016)	Control Reference (AF/AR/Other)	Department	Responsible Position	How reported	Reporting Frequency	Date last reported	Internal Check	Business Continuity Plan Priority (HIGH/MED/LOW)
	Council/Elected Members			(E / H / M / L)		eg Strategic Pplans/Policies etc				Responsible Position	How reported	Reporting Frequency			
	CEO/Executive Support														
	Political INCLUDES FAILURE TO….														
	Council/Elected Members														
	Acting outside direction/policy/legislation	A	4	E	Administrate		Members Code of Conduct, Training	AF11/903, AR14/35173	CEO	Manager Governance & Property					LOW
	Conflict of Interest	B	3	H	Administrate		LG Act, Members Code of Conduct, Members Conflict of Interest Guidelines, Training,	AF11/903, AR14/35173	CEO	Manager Governance & Property	Annual Report	Annual	Jun-15		LOW
	Register of Interests	A	2	H	Administrate		LG Act, Members Code of Conduct, Training, Register of Interest Guidelines Annual Reminder Card	AF11/903, AR14/35173	CEO	Manager Governance & Property					LOW
	Libel & Slander	B	3	H	Administrate		LG Act, Members Code of Conduct, Training	AF11/903, AR14/35173	CEO	Manager Governance & Property					LOW
11	Council Meetings (Public Access - what otther meeting conduct)														
#REF!	Unreasonable exclusion of public	B	3	H	Administrate		LG Act, Meeting Procedures & Regulations, Code of Practice for Access to Meetings, Agendas, Minutes and Documents, Training, Oversight by Management/CEO	AR11/4208	CEO	Team Leader Executive Support					MED
#REF!	Unreasonable prevention of access to documents	B	3	H	Administrate		Freedom of Information Statement, Internal Review of Council Decisions Procedure, Training	AR16/24655, AR11/4211	CEO	Manager Governance & Property	Annual Report & FOIMS	Annual	Jun-15		LOW
10	Committee Management														
10.01	Inappropriate delegation of power	B	3	H	Administrate		All Section 41 Committees, Statutory Appoinments Register, Training, oversight by Management/CEO	AR16/13445, ToR's	CEO	Manager Governance & Property	Annual report	Annual	30-Jun-15		MED
10.02	Libel/Slander/Defamation Claims	B	3	H	Administrate		Member and Employee Codes of Conduct, LG Act, Training	Gazette, Training records	CEO	Manager People & Culture			Jun-Aug 2015		
10.03	Unauthorised activities	C	3	H	Administrate		Reporting to Council/delegations/ oversight by Management/CEO	AF15/495, AR16/15410	CEO	Manager Governance & Property	Council report	Annually	1/04/2016		MED
	Publications														
	website maintenance & publication (content mgmt)	B	3	H	Administrate		System procedures/controls, staff training, reminder systems								
	Registers - maintenance and publication	B	2	H	Administrate		System procedures/controls, reminder systems								
	Annual Report	A	2	H	Administrate		Procedures, reminder systems, internal peer review			Manager Community Services & Development	Publication	Annual			
	BusinessDevelopment														
18	Commercial Activities						Not applicable								
	CHECK FOR RISK EXPOSURE	B	3	E											
	CEO/HR/WHS														
	HR														
3	Management/Staff Risks														
3.01	Breach of legislation	B	3	E	Administrate		Code of Conduct for Employees, Audits, Job Descriptions, EB Agreements, Performance Reviews, Training			SE	Manager People & Culture					
3.02	Failure to follow security procedures	B	2	H	Administrate		Violence in Workplace Policy, Evacuation Procedure, Computer Use Policy, Annual Performance Reviews, EB Agreements			SE	Manager People & Culture					
3.03	Professional Indemnity exposures	C	3	H	Administrate		Employee Awareness Training, Policy 185 - Provision of Property Related Information, Job Descriptions, Annual Performance Reviews, EB Agreements			SE	Manager People & Culture					
3.04	Theft - by employees	C	3	H	Administrate		Formal Audit, Stock Control Systems, Employee Code of Conduct			SE						
3.05	Sexual Harassment	C	3	H	Administrate		Sexual Harrassment Policy & Sexual Harrassment Grievance Procedures, Employee Code of Conduct, Induction, Training			CEO	Manager People & Culture					
	(fail to) consider Council strategic objectives	A	3	E	Administrate										
	Acting outside direction/policy/legislation	B	3	H	Administrate										
	Acting outside (sub)delegation/authority	B	3	H	Administrate										
	Conflict of Interest	C	2	M	Administrate										
	libel/slander	C	2	M	Administrate										
	Failure to Implement Policy	C	2	M	Administrate										
	Failure to undertake administration duties	B	2	H	Administrate										
	Child protection (risk/failure to implement)	B	4	E	Administrate/Substitute/Eliminate		training/legislative requirements Ensure targetted staff trained/checked Avoid contact with untrained/unchecked staff								
	Violence/injury	C	3	H	Administrate										
4	Volunteers														
	Failure to comply with OH&S, WCS requirements	A	3	E	Administrate		Volunteer Induction Policy & Procedures, V130 Volunteer Policy, Task Instruction Sheet, Training of Supervisors	AR16/13874, Register		SE	Manager People & Culture		Programme Section 5.1			
	Government Employment Programs														
	Council's failure to discharge duty of care	B	3	H	Administrate		Induction Policy & Procedures			SE						
12	Resource Sharing (???) other Councils??														
12.02	Unwitting acceptance of risk - Liability	B	3	H	Administrate		Statutory Resolutions Register, Resource Sharing Agreements			SE						
	Safety & Welfare														
6	Occupational Health & Safety														
6.01	(Failure to provide) Safe Working Environment	B	3	H	Control Hierarchy		Safe Work Practices, Safety Policy, WHS Coordinator - specific to work area/task			SE						
6.02	Safe Systems of Work	B	3	H	Administrate		Safe Work Practices, Regular Inspections, OHS&W Reps, Personal Protective Equipment, Risk Control Officer			SE						
6.03	Information, Instruction, training and supervision of employees	B	2	H	administrate, Engineer / PPE		Ongoing Training, EB Agreements (Inclement Weather Policy & UV Protection), Induction Policy & Procedures, Staff Meetings, Regular Work place Inspections, Work practice reviews			SE						
6.04	Information to contractor of hazards associated with Council work environment	A	3	E	Administrate		LG Works Contract, Small Services Agreement, Greencard Requirements			SE			Programme Section 3.1			
6.05	Policies and procedures	B	2	H	Administrate		Numerous well documented Policies and Procedures			SE						
6.06	OH&S Management Plan	A	2	H	Administrate		In place and continually monitored, Greencard			SE						
#REF!	Worker's compensation exposures	A	3	E	Administrate / Engineer / PPE		Training, Health & Safety Audits, Availability of information for control measures, External Resources, Employer/Employee consultation, Counselling Services, Corporate Health Checks			SE			Programme Section 1.0			
12.01	Unwitting acceptance of risk - W/Comp.	A	3	E	Administrate		Statutory Resolutions Register, Resource Sharing Agreements, Training			SE						
	Emergency Planning/response	B	2	H	Administrate										
	Confined Space					Confined space register	A register of all council owned land / buildings containing confined spaces	AF11/1036	HR	WHS Coordinator					
	Hazardous Chemicals					Hazardous chemical register	A register of all hazardous chemicals contained across all council worksites. Michael this may have been works on jointly with WHS officer also	AF11/1044	HR/OPS	WHS Coordinator EHO's					
	CEO/Governance & Property														
	Governance/Compliance & Legal														
9	Failure to discharge Legislative Responsibilities														
9.01	Breach of legislation	B	2	H	Administrate		Staff Training, Professional Development (CPD Requirements) R300 Risk Management Policy, Job Descriptions, EB Agreements, Performance Reviews			SE						
9.02	Litigation	B	3	H	Administrate		Professionally qualified staff, extensive training process			SE						
9.03	Public Liability Exposures	B	3	H	Administrate		Professional Indemnity Clauses/Risk Clause in Job Descriptions, Enterprise Bargaining Agreements			SE						
	Legislative Compliance					Legislative Compliance Database	Identifies compliance activities within key Local Government and Development legislation	AR15/2189, AR15/18081	CEO	Manager - Governance & property					

No.	Description				Treatment	Register/Tool	Details	Ref	Resp	Position	Notes
	Delegations/sub-Delegations					Delegations Register	Records Head Delegations to CEO and sub-Delegations to officers (positions)	AF15/28948 AF15/28949	CEO	Manager - Governance & property	

Interruption to Business

No.	Description				Treatment	Register/Tool	Details	Ref	Resp	Position	Notes
14	**Emergency/Disaster Planning (Internal)**	B	3	H							
14.01	*Failure to implement formal arrangements*	A	3	E	Administrate		Measures developing - Emergency Planning Committeee		CCS		Business Continuity Plan
14.02	*Lack of contingency planning*	B	2	H	Administrate		Measures developing		CCS		Business Continuity Plan
14.03	*Lack of emergency management skills*	B	2	H	Administrate		Participation at District and Regional Levels, Regional Exercise Participation		CCS		
16	**Leases Licences and Permits**										
16.01	*Inadequate OH&S provisions/management*	A	2	H	Administrate		Conditions of Permit/Lease and Lease Policy		CCS		
	Lease management					Lease/Licence Database	Contains key details of all properties leased/licensed by Council including rent review dates, expiry dates, other key details	AR14/13326	CEO	Manager Governance & Property	
16.02	*Inappropriate agreement (L/L/P)*	B	2	H	Administrate		Lease Policy, Annual Lease Reviews		CCS		
16.03	*Injury to Public*	C	3	H	Eliminate / Engineer / Administrate		Reporting Procedures		CCS		Programme Section 7.0
	Damage, Vandalism	B	2	H	Eliminate / Engineer / Administrate		Tenant/Council insurance provisions - annual renewal/follow-up				
	Dangerous activities	C	4	E	Engineer / Administrate		Lease, Licences, Development Act - Licence/Lease conditions, Monitoring				
19	**Native Title**	C	3	H	Administrate		Not applicable ???				

CEO/Strategic & Corporate Planning
Strategic Management

No.	Description				Treatment	Register/Tool	Details	Ref	Resp	Position	Notes
	Council strategic/Bus Unit Plan objectives	B	2	H	Administrate						
	Strategic Development/Planning/DPA's	B	2	H	Administrate						
	Sustainability					CHAT tool	Used to assess the viability of concepts / projects at the infancy stage and considers a holistic apprach that looks at the environmental impacts as well as the financial impacts on the organisation	AF13/52	OPS	Environmental Sustainability Officer	

Community Services & Development (Library/Main Corner/Lady Nelson/Events)

No.	Description				Treatment	Register/Tool	Details	Ref	Resp	Position	Notes
17	**Events, Parades & Festivals**										
17.01	*Council failure to monitor/inspect*	A	3	E	Administrate		Inspection advice to applicant and to Council employees prior to event, visual inspection of site, employee guidances to organisers		OPS		
17.02	*Dangerous activities*	C	4	E	Engineer / Administrate		Special Events Permit System, M110 Major Events Protocol Policy		OPS		
17.03	*Failure to conduct an event risk assessment*	A	3	H	Administrate		Refer 17.1, Major Events require risk assessment, visual inspection of site		OPS		
17.04	*Inappropriate/inadequate insurance*	A	3	E	Administrate		Required prior to final approval, Certificate Required, C350 Council Land Special Events Permit, Sighting of cover notes		OPS		
17.05	*Injury to Public*	C	3	H	Engineer / Administrate		Refer 17.01 & 17.03		OPS		
17.06	*Fire*	D	3	M	Hierarchy of Controls		Refer 17.03		OPS		

Public Relations

No.	Description				Treatment	Register/Tool	Details	Ref	Resp	Position	Notes
	Public relations/reputation	A	3	E	Eliminate / Administrate						
	Publications	B	3	H	Administrate						
	website maintenance & publication	B	3	H	Administrate						

Corporate Services (Finance/Rating/IT & Records/Customer Service)
Financial

No.	Description				Treatment	Register/Tool	Details	Ref	Resp	Position	Notes
7	**Financial**										
7.01	*Contractual penalties (to Council)*	A	3	E	Administrate		LG Works Contract (Annexure A)		CCS		
7.02	*Embezzlement*	C	3	H	Administrate		Accounting Regulations - Internal Control Policy & Procedures, Audit Control, Employees Code of Conduct, new Audit Committee		CCS		
7.03	*Inadequate policies and procedures*	B	2	H	Administrate		Employees Code of Conduct, Financial Policies & Procedures, Financial Regulatory Procedures, new Audit Committee		CCS		
7.04	*Theft(t/party)*	B	3	H	Engineer / Administrate		Employees Code of Conduct		CCS		
7.05	*Uninsured losses*	B	3	H	Administrate		Annual Review of Valuation and Insurances Register, new Audit Committee		CCS		
8	**Uninsured Risks**										
8.01	*Breach of Copyright, Patent, Intellectual Property*	A	2	H	Administrate		Awareness Amongst Professional Staff, Policy H125 & P185, Training		SE		
8.02	*Environmental damage e.g. Landfill & Stormwater*	C	3	H	Engineer / Administrate		High level independent testing and monitoring of key areas, EPA liaisons and inspections and employee awareness		OPS		Programme Section 2.0
23	**Motor Vehicle & Registered Plant**										
23.01	*Theft*	C	2	H	Engineer / Administrate		Vehicles locked, kept in secure building, Vehicle Register - Annual inspections, Asset Register		OPS		

Information Services

No.	Description				Treatment	Register/Tool	Details	Ref	Resp	Position	Notes
21	**Council Records**										
21.01	*Equipment Failure*	B	3	H	Engineer / Administrate		Maintenance Contracts		CCS		
21.02	*Loss of Documents*	C	3	H	Engineer / Administrate		Record Management Policies		CCS		
21.03	*Loss of Information*	B	3	H	Engineer / Administrate		Record Management Policies, Off site Storage of IT at City Hall including "Mapping Server", Exhange Server" "Authority" Disaster Recovery Server does not include "eServices Server" as that does not store data (Memo 7/12/05 Ref 130/3/10 Disaster Recovery/Server Backups), Fire Detection System, Business Continuity Proposal		CCS		Programme Section 1.0,
21.04	*Unauthorised access to information*	B	2	H	Engineer / Administrate		Secured Premises, Fire Walls		CCS		
22	**Computers**										
22.01	*Illegal use*	B	2	H	Engineer / Administrate		Computer Use Policy/Procedure, Random sampling of computer useage		CCS		Business Continuity Plan
22.02	*Loss of Information*	B	2	H	Engineer / Administrate		Back up/Storage Procedures		CCS		Business Continuity Plan
22.03	*Unauthorised access*	B	2	H	Engineer / Administrate		Firewall/Security Access Procedures		CCS		Business Continuity Plan

Operational Services (Indoor - Engineering, Regulatory, Customer Service)
Regulatory

No.	Description				Treatment	Register/Tool	Details	Ref	Resp	Position	Notes
13	**Development Issues**										
13.01	*Failure to comply with DDA requirements*	B	3	H	Engineer / Administrate		Qualified Building Staff and Development Staff		OPS		
13.02	*Failure to provide required S.7 Info*	A	3	E	Engineer / Administrate		Trained Staff, Computerised Records		OPS		
13.03	*Inadequate Public Consultation*	A	2	H	Administrate		Development Act & Regulations		OPS		
13.04	*Inappropriate development*	A	2	H	Administrate		Council oversight of Development Plan, Well trained staff		OPS		
13.05	*Unauthorised development*	A	3	E	Administrate		Monitoring Development Activity, Development Act Implementation (Section 84, 85 etc.)		OPS		
	Assessment Process??	B	2	H	Administrate						

Environment (compliance)

Project Management / Asset Management / Procurement / Operational Services Risk Register

ID	Item / Risk	L	C	Rating	Control Type	Document	Description / Control Measures	Ref	Resp	Owner	Programme
36	**General Environmental Management**										
36.01	Chemical spill	B	3	H	Hierarchy of Controls		Emergency Management Plan in place, distributed to Police, Transport SA, SES, EPA		OPS		
36.02	Contamination/Pollution	B	3	H	Hierarchy of Controls		"		OPS		
37	**Environmental Health Issues**										
37.01	Incorrect/inadequate protocols	B	2	H	Administrate		Trained professional staff		OPS		
37.02	Failure to comply with inspection reports	C	2	M	Administrate		Follow up process by reporting staff, Liaison with Senior Management		OPS		

Project Management

Item	L	C	Rating
Project/Activity Planning/Management	A	3	E
Holistic/Strategic Assessment	A	2	H

Asset Management

ID	Item / Risk	L	C	Rating	Control Type	Document	Description / Control Measures	Ref	Resp	Owner	Programme
20	**Building Assets**										
20.01	Lack of property management controls	B	2	H	Administrate		Licences, Loans & Building Asset Management Systems		OPS		
20.02	Unauthorised access	C	2	M	Engineer / Administrate		Security Systems on major buildings, security patrol		OPS		
28	**Swimming Pools**										
28.01	Inadequate supervision	A	3	E	Administrate		Facility managed by Leisure Co who have excellent policies/procedures in OHS&W and public liability, Two independent audits per year		OPS		
28.02	Lack of emergency management procedures	A	2	H	Administrate		"		OPS		
28.03	Unauthorised access	C	2	M	Administrate		As per above and Building Security		OPS		Programme Section 2.0
	Plant - Depot					Plant Assessor	Allows all new and existing plant to be risk assessed and inspections logged and recorded. Can also produce a risk management report. Standardised program that is used by many councils and has standard vehicle types to streamline process	AF11/1064	OPS	Works Manager	
						Plant Induction sheets	A plant induction sheet lists those staff who have been inducted in the safe operation and use of a specific item of plant. Staff are required to sign the sheet to indicate they have completed the induction	AF11/1055	OPS	Works Manager	
						Plant Assessor Schedule	A schedule listing when plant are due for an assessment and by whom. Also records when assessment completed	AF11/1064	OPS	Works Manager	
						Fleet Management	The Civia program Fleet Management integrates with the civica plant module which council also uses. The fleet Management program contains the following: Fleet Register, Work Orders (for fleet maintenance & reporting), Capital Value register, Maintenance schedule, Procurement function, Inventory, Plant hire, Budget forecasting, asset disposal, defect register, accident register, inspection register. Council is about ready to commission this module		OPS	Depot	
	Asbestos Registers					Asbestos Register	A register of all council owned land / buildings containing asbestos	AF11/369	OPS	C Tully	

Procurement

ID	Item / Risk	L	C	Rating	Control Type	Document	Description / Control Measures	Ref	Resp	Owner	Programme
15	**Contracts**										
15.01	Breach of contract by Contractor	B	2	H	Administrate		Appointment of Superintendent to every contract, C210 Contracts Policy		OPS		Programme Section 3.0
15.02	Inadequate OH&S provisions/management	B	3	H	Administrate		Use LGA Contracts and Managers of Contracts Training		OPS		Programme Section 3.0
15.03	Inappropriate/inadequate/lack of insurance (3rd parties)	B	3	H	Administrate		Declaration on Tender Form, Visual evidence required		OPS		
15.04	Damage to property	C	3	H	Engineer / Administrate		Supervision by Managers of Contracts, Insurances paid up		OPS		Programme Section 3.0
	WORKS PROCUREMENT/CONTRACTS					Contract Register	Contains a weekly updated list of all contractors who are currently pre qualified to do works for council. This list ensures that any person / business who is listed as "current" on the pre qualified register has satisfied councils, WHS standards and has a system that can demonstrate same as well as holding the necessary licences / accreditations / insurances	AF15/282	OPS	Procurement Officer	
						Employee skills & License Register	Contains a list of all OPS employees with relevant licences / skills details. It is sectioned into the following categories, Licenses, Accreditations, Competencies, Inductions, Delegations & Authorisations. Michael this spreadsheet was created recently because we were not able to get updated information via HR from the program within civica that contains this information. Once it can be determined that this program is up to date and OPS is able to get regular information from the system then this spreadsheet can be done away with. This information is extremely important to be able to ensure all emplyees have the current licences / accreditations and to also assist with developing training plans. This is an area council failed in with the recent audit.		HR		
	Procurement (Decision Making)					Procurement Policy	Contains guidance and limitations for procurement methods		CEO	Manager Governance & Property	
						Financial Authority	Prescribes $ limits for purchasing officers (to be read in conjunction with Procurment Policy and any relevant/specific Council resolutions)		CEO	Manager Governance & Property	

Operational Services (Outdoor - Asset Maintenance/Parks & Gardens/Waste Management)

Environment (Physical)

ID	Item / Risk	L	C	Rating	Control Type	Document	Description / Control Measures	Ref	Resp	Owner	Programme
25	**Playgrounds**					Playground Audit Sheets	Playgrounds are audited every three months. Copies of each individual playground audit and works associated with the audits are located on this file.	AF11/1494	OPS - Engineering		
25.01	Failure to maintain to standard	B	3	H	Administrate		6 monthly inspections, trained/experienced staff, accurate records kept, including maintenance works carried out		OPS		Asset Management System
25.02	Failure to monitor/inspect	A	3	H	Administrate		"		OPS		
25.03	Structural defects	B	3	H	Engineer / Administrate		"		OPS		
26	**Sporting Facilities (including leased/licensed)**										
26.01	Failure to maintain	B	2	H	Administrate		Regular inspection by staff responsible for maintaining the area		OPS		
26.02	Failure to monitor/inspect	A	2	H	Administrate		"		OPS		
#REF!	Failure to conduct a regular risk assessment	A	2	H	Administrate		Regular maintenance inspections and reporting (refer CRF's etc)		OPS		
29	**Stormwater System**					Stormwater Asset Management Plan	The Stormwater Asset Management Plan is designed to provide a responsive management of assets and services provided from assets. The documents ensures the management of assets are also in accordance with regulatory requirements and assists in sercuring funding for the maintenance of assets in accord with agreed levels of service. This plan links with other key documents such as Strategic plan, Long term financial plan, Operational plan, Development plan and Council's Business Plan and Annual Budget. Assets identified in this plan are : Drainage pits & pipes, drainage bores, silt traps, retention basins.		OPS	Director Operational Services	
29.01	Below required capacity	B	2	H	Engineer / Administrate		Known areas now addressed		OPS		
29.02	Flash Flooding	C	2	M	Administrate		Council's Emergency Response Teams, MFS, SES		OPS		
30	**Roads & Footpaths**					Road Asset Management Plan	The Road Asset Management Plan is designed to provide a responsive management of assets and services provided from assets. The documents ensures the management of assets are also in accordance with regulatory requirements and assists in sercuring funding for the maintenance of assets in accord with agreed levels of service. This plan links with other key documents such as Strategic plan, Long term financial plan, Operational plan, Development plan and Council's Business Plan and Annual Budget. Assets identified in this plan are : road seals, road pavements, kerbs and footpaths.		OPS	Director Operational Services	
30.01	Damage	B	2	H	Engineer / Administrate		Rapid Response, Regular Recorded Inspections (GIS) (CRF's)		OPS		Programme Section 4.0
30.02	Inadequate tree maintenance	A	2	H	Engineer / Administrate		Trained personnel (arboculture), detailed tree inspections, high priority areas assessed, Professional Expert advice, individual tree reports		OPS		Programme Section 4.0
30.03	Inappropriate tree planting	A	2	H	Administrate		Planned by trained personnel		OPS		

No.	Description	L	C	Rating	Responsible	System/Document	Notes	Ref	Dept	Role	Programme
30.04	*Pedestrian hazards*	A	3	E	Engineer / Administrate		Seniors Footpath Patrols, City Centre assessed on an annual basis, biannual for other areas		OPS		Programme Section 4.0
	TREE MANAGEMENT					GIS System	Outlines the Policy for the management of trees on Council property as well as a detailed planting species list adopted by Council. All tree assessments are located on Council's GIS system which is a live database on all existing trees.	T120 (Tree Policy)	OPS	Engineering Technical Officer	
32	**Waste Stations/Landfills**										
32.01	*Breach of licence conditions*	A	3	E	Engineer / Administrate		Trained staff, licence publicly displayed		OPS		
32.02	*Failure to meet EPA Licence Conditions (and a breach of the EPA Act)*	A	3	E	Administrate		Refer to WTC Management Plan and Caroline Management Plan and also 8.02. EPA inspections and reviews, internal audits, land management direct involvement		OPS		Programme Section 2.3
33	**Wetlands**										
33.01	*Unauthorised access*	A	3	E	Engineer / Administrate		Some fenced when there is a steep bank, public awareness, stormwater retention systems via Blue Lake Water Care		OPS		
34	**Coasts, Rivers, Waterways, Lakes**										
34.01	*Water hazards*	B	3	E	Engineer / Administrate		Hazard signs at Valley Lake - mud, water quality		OPS		
34.02	*Poor signage*	B	2	H	Administrate		Regular inspection by field staff		OPS		

ACCIDENTS / INCIDENTS - PUBLIC

Document	Description	Ref	Dept	Role
Incident Report form	A civil liability claim form (created by the LGA mutual liability scheme) is used to record details of potential claims on council through accidents / incidents that have occurred on public land. Examples of this may be a trip by a person on a footpath. Council Officers will use this form to collect details of the incident and then forward this information onto the scheme for processing. This form allows for consistent recoding of information.	AF14/409	OPS - Engineering	Engineering manager
Customer Request Management (CRM)	This is a software program as part of councils civica suite of programs. The program allows a complaint/ request from the public (via phone, letter, email, in person) to be logged. The logger selects the relevant category that the complaint fits into (ie fix pothole on road) and the predefined workflow patterns will then create an email to the relevant officer for action. Depending on the request, a pedefined time is also placed on the request. Upon completion of the task the closing of the CRM is required by the action officer. This then creates a record (ie what, when, who). This system can be utilised by all staff and can cover many categories of complaints / requests and is not just specific to the works department.	Civica - CRM module	OPS	
Task Risk Assessment forms	A Task Risk assessment form is completed prior to any works occurring within the Works department where there is a significant safety risk. In some cases "generic task risk assessments" may have been completed in advance of repetive work tasks (ie oval mowing) and are used where the risk / cirumstances / conditions are not likley to change. However, in the event wher the risk / circumstances / conditions are likley to change then staff will complete a task risk assessment for that task being completed. The task risk assessment form consists of the following steps; Step 1 Assessment summary (what, when, where, who). Step 2 Hazard Identification (list of all hazards likley to be present). Step 3 Risk rating and Action Plan (identifies all steps to be performed, determines risk and lists control measure to reduce risk). Step 4 records all other matters considered or rejected and has a list of persons completing the risk assessment	AF15/125	OPS - Engineering	All Staff
Task Risk Register	A register containing all tasks and identified hazards for all areas of council. This document was used to create generic task risk assessments for all work activities. Michael, not sure if this has been maintained by HR and may not be relevant anymore as each department seems to be doing something different now.	AF11/2041	HR	

WORKS

SUBJECT: EXTERNAL AUDIT SERVICES

REF: AF16/207

Goal: Governance
*Strategic Objective: Establish measures for Council's performance and continually compare
                 against community expectations.*

BACKGROUND

As reported to Council via the May 2016 Audit Committee Meeting minutes, the existing contract for the provision of external audit services will conclude following the conclusion of the 2015/2016 final audit.

Since that time tenders have been called via public advertisement.

At the close of tenders on 1ˢᵗ July, 2016, the following tenders were received:

- Plus 1 Group
- PKF Kennedy
- UHY Haines Norton
- Galpins *

* current service provider.

The relevant provisions of Section 128 of the Local Government Act are as follows:

The auditor will be appointed by the council on the recommendation of the council's audit committee.

The auditor must be:

(a)   a registered company auditor; or

(b)   a firm comprising at least one registered company auditor.

The term of appointment of an auditor of a council must not exceed 5 years (and, subject to this section, a person may be reappointed at the expiration of a term of office).

ASSESSMENT OF TENDERS

In accordance with Council's Procurement Policy a Tender Panel, consisting of the Director - Operational Services, Finance Manager and Director - Corporate Services was established to assess each of the tenders against the Assessment Criteria developed for the tender process.

Each of the tenders have been assessed individually by each of the Panel Members and a score assigned to each of the criteria, on the following basis:

Assessment Criteria	Max Score
Capacity (Quality of Service)	10
Capacity (Workforce Availability)	15
Performance (Quality)	10
Performance (Depth of Experience)	15
Proposed Audit Plan	15

- Price   15
- Value Added Services   10
- Technical Expertise   10

The sum of the scores for the three Panel Members were averaged resulting in the following final scores being recorded:

- Galpins   80
- Plus 1 Group   64
- PKF Kennedy   66
- UHY Haines Norton   72

It should also be noted that each of the three (3) Panel Members individually recorded Galpins as the highest scoring tender.

The Panel therefore was unanimous in making the following recommendation.

RECOMMENDATION:

(a)   Corporate and Community Services report No 54/2016 be received;

(b)   Council accept the tender proposal from Galpins, for appointment as External Auditor to the City of Mount Gambier for a five year term for the 2016/2017, up to and including the 2020/2021 financial years.

Grant HUMPHRIES
ACTING CHIEF EXECUTIVE OFFICER

12th July, 2016
MJT

FINANCIAL INTERNAL CONTROLS 03/2016

SUBJECT: **UPDATE ON FINANCIAL INTERNAL CONTROLS**

REF: **AF16/164**

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Table of Financial Internal Controls for Review by Management Executive Team.

- Items highlighted in green are new items for discussion.
- Items highlighted in orange have been presented and are awaiting finalisation.
- Items highlighted in yellow are complete.

FINANCIAL INTERNAL CONTROLS – RISK CATEGORY PROGRESSION					
Category	Element	Description	Risk Rating	MET Meeting	Action
1	-	-			
2	Asset	Cash Floats & petty Cash	Low		
3	Assets	Banking	High	MAY 16	*Waiting Council Meeting 21/06/2016*
4	Assets	Investments	High		
5	Assets	Debtors	Moderate		
6	Assets	Inventory	Low		
7	Assets	Prepayments	Moderate		
8	Assets	Fixed Assets	Moderate		
9	Assets	Project Costing	High		
10	Assets	Loans/Grants to clubs	Low		
11	Liabilities	Accounts Payable	Moderate	JUN 16	
12	Liabilities	Accrued Expenses	Moderate		
13	Liabilities	Borrowings	Moderate		
14	Liabilities	Employee Provisions	Low		
15	Liabilities	Taxation	Low		
16	Revenue	Rates/Rate Rebates	Moderate		
17	Revenue	Grants	Moderate		
18	Revenue	Fees for Service	Moderate		
19	Revenue	Investment/Interest Income	Low		
20	Revenue	Receipting	Low		

21	Revenue	Other Revenue	Moderate		
22	Expenses	Purchasing & Procurement	High	MAY 16	*Waiting Council Meeting 21/06/2016*
23	Expenses	Payroll	Moderate		
24	Expenses	Elected Member Expenses	Low		
25	Expenses	Credit Cards	Low	MAY 16	*Waiting Council Meeting 21/06/2016*
26	Expenses	Employee Reimbursements	Low		
27	Expenses	Other Expenses	Low		
28	External Services	Contracting	Extreme	MAY 16	*Waiting Council Meeting 21/06/2016*
29	Strategic Planning	Budgets	Moderate		
30	Strategic Planning	General Ledger	High		
31	Strategic Planning	Statutory Reporting	Moderate		
32	Strategic Planning	Management Reporting	Moderate		

Recommendation:

a) Financial Internal Controls Report 03/2016 be received;

b) Recommendations for each financial internal control category presented for June 2016 be actioned.

Kahli ROLTON
MANAGEMENT ACCOUNTANT

Sighted:

Grant HUMPHRIES
DIRECTOR CORPORATE SERVICES

15th May, 2016
KROL

11: Accounts Payable	HIGH

Issues	Recommendations	Management Response
Issues 1:Purchases & refunds are made without proper authority and/or no purchase order raised. 2: Where an invoice is more than an original purchase order amount, further authorisation not sought. 3: Unauthorised changes are able to made to the Account Payable Master File. AP Master File is not restricted to appropriately designated personnel. Changes to the AP Master File are not being authenticated against source documents. **Impact** 1: Where no purchase orders raised, result in mis-reporting for budgetary officers due to understatement & misallocation of committed expense, inventory &/or asset item(s). This may also damage supplier relationships. 1 & 2: Where no purchase order raised or raised for insufficient amount, risk that Council incurs expenditure for items that are inaccurate, unnecessary or of a private nature, for example, goods or services may not actually be received or required to be refunded. 3: Where controls are inadequate, unauthorised changes may be made to the Supplier Master File & could result in mis-payment, opportunity for payments being made for non-council purposes &/or fraudulent behaviour. It is good practice to ensure separation of duties between the set up/data entry of suppliers and authorisation/review.	1: Update financial control procedure to ensure that all staff, especially budget officers are required to raise purchase orders for all payments or confirmation orders where an invoice has been received before the purchase order was able to be raised. Suggest email be sent to all suppliers as a "friendly reminder" that purchase orders are essential as they safeguard the supplier to know that the good or service they are providing has been approved for payment. Suggest that the person raising the rates not be the person approving the rate refunds/credits. Finance Manager stipulated that separation of duties must be applied for all types of refunds (eg, Dogs, Greenwaste, DA's etc). 2: Implementation of Accounts Payable Workflow. Per conversation with Authority representative, led to believe this additional program will rectify current shortfalls in the system allowing employees to goods receipt items of greater value ($) than their financial delegation without being redirected to the appropriate person in their hierarchy for approval. 3: Management Accountant be removed from access to AP Master File. Due to Finance Manager reviewing the "creditors" process, suggest person reviewing not have access to AP Master File which allows the same person to make alterations. Due to Finance Manager processing BAS monthly, AP Master File access had to be restored. Suggest Management Accountant review all changes Finance Manager makes in AP Master File. Investigate useful report with Authority that tracks changes only (& does not include invoices or payments) to AP Master File. Finance Manager to review changes made in comparison to source documents.	Finance Manager to oversee "Friendly Reminder" in automated remittance advice, rather than seperate email DCS implemented change in procedure with Senior Rates Officer for Finance Manager to approve rate refunds. DCS has allowed $12,000 in 16/17 budget to implement AP Workflow program. Team Leader Finance arranged access to be removed from Management Accountant 22/03/2016. Finance Officer set up source document folder for changes made to AP Master File. Team Leader Finance lodged request with Authority regarding useful AP Master File changes report.

Prepared By: Kahli Rolton
Date: 14/06/2016

11: Accounts Payable	Continued	MODERATE

Issues	Recommendations (continued)	Management Response
Issues 4: Employee expense claims do not have adequate substantiation or value for money is not being obtained. 5: Accounts are not paid on a timely basis or paid well before their due date. **Impact** 4: Council May expend its funds on items of a private or personal nature when reimbursing employee expense claims. Council may not be utilising corporate discount or plans. 5: Payment of supplier invoices well before their due date may place greater demands on Council's Cashflow & employee resources.	4: Upon checking it was found that High Risk Licence reimbursements have proof of payment, but no proof of what the expense was actually for. Finance Officer to obtain original invoice aswell as proof of payment before expense reimbursed. When Employees act alone in regards to making purchases & seeking reimbursement afterwards, they may not benefit from Council's corporate discounts/plans/agreements in place, but also they are potentially acting outside their financial authority as there is no written evidence of prior approval. Suggest a review be completed of reimbursements for personal mobile phone use and events to ensure value for money obtained. Suggest memo be sent to all staff reminding them of the requirements before reimbursements shall be authorised & that reimbursements should be a last resort/emergency only. Also suggest this be updated as part of the financial control procedure. 5: Update Financial Control Procedure with minimum standard for payment of suppliers that results in best time efficiency for finance officers, Council's cashflow (longest time to drawdown on loan funds), whilst utlising any discounts offered and managing good supplier relations. Investigate with Authority potential for a useful Aged Balances report that does not show negatives where payments have been made. Such report would allow Finance Manager to check if any long outstanding/unusual amounts or credits need review or payment.	Employee Expense Reimbursements: Financial Control Procedure:

Prepared By: Kahli Rolton
Date: 15/06/2016

TERMS OF REFERENCE OF THE CITY OF MOUNT GAMBIER AUDIT COMMITTEE

1   Membership

1.1   Members of the committee are appointed by Council. The committee shall consist of at least one independent member with at least one additional member from the Elected Members of Council – consistent with any Regulations. The size of the committee shall be three (3) members.

[Note that Section 126(2) provides that an audit committee may include persons who are not members of Council.]

1.2   Independent member(s) of the committee shall have recent and relevant financial, risk management, internal audit etc. experience. The Mayor is an ex officio member of the committee.

[Note that a person would not be considered independent if he or she was an Elected Member of that Council. Subject to any codes of conduct adopted by Council, this does not preclude an Elected Member or an employee of a Council from being a member of an audit committee of another Council.]

1.3   Only members of the committee are entitled to vote in committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the committee for decision. Other individuals such as the Chief Executive Officer, Director – Corporate Services, Director - Operational Services and Finance Manager may attend any meeting as observers and be responsible for preparing papers for the committee. In accordance with the principles of open, transparent and informed decision making, committee meetings must be conducted in a place open to the public. The agenda and minutes of the committee meetings, subject to any items that are discussed in confidence under Section 90 of the Local Government Act 1999 and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.

1.4   Council's external auditors are to be invited to attend meetings of the committee.

1.5   Appointments to the committee shall be for a period to the end of the term of the Council i.e. November 2014 to November 2018. Appointees may be reappointed by Council.

1.6   The Council shall appoint the Presiding Member of the committee.

2   Administrative resources

2.1   The Chief Executive Officer shall provide sufficient administrative resources to the committee to enable it to adequately carry out its functions.

3   Quorum

3.1   The quorum necessary for the transaction of business shall be 50% of the number of members of the committee plus one. 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.

Terms of Reference for Council's Audit Committee cont'd...

4 Frequency of meetings

4.1 The committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5 Notice of meetings

5.1 Ordinary meetings of the committee will be held at times and places as determined by the committee. A special meeting of the committee may be called in accordance with the Act.

5.2 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the committee and observers, no later than three (3) clear days before the date of the meeting. Supporting papers shall be sent to committee members (and to other attendees as appropriate) at the same time.

6 Minutes of meetings

6.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance are minuted and that the minutes otherwise comply with the requirements of the Local Government (Procedure at Meetings) Regulations 2000.

6.2 Minutes of committee meetings shall be circulated within five (5) days after a meeting to all members of the committee and to all members of the Council and will (as appropriate) be available to the public.

7 Role of the committee

7.1 Financial reporting

7.1.1 The committee shall monitor the integrity of the financial statements of the Council, including in its annual report, reviewing significant financial reporting issues and judgements which they contain.

7.1.2 The committee shall review and challenge where necessary:

7.1.2.1 the consistency of, and/or any changes to, accounting policies;

7.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

7.1.2.3 whether the Council has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors;

7.1.2.4 the clarity of disclosure in the Council's financial reports and the context in which statements are made; and

7.1.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

7.2 Internal controls and risk management systems

The committee shall:

7.2.1 keep under review the effectiveness of the Council's internal controls and risk management systems; and

7.2.2 review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

Note that it is important that the audit committee understand the business of the Council to appreciate the risks it manages on a daily basis, and to ensure that there are appropriate management plans to manage and mitigate this business risk. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the external auditors and by presentations by management on how business risks are identified and managed.

7.3 Whistle blowing

The committee shall review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

7.4 Internal audit where Council does not have a separate internal audit function

The committee shall:

7.4.1 monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system;

7.4.2 consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

Terms of Reference for Council's Audit Committee cont'd...

Note that this may include the review of the areas that have been identified for review and the frequency of review. The committee should also monitor whether the function of internal audit has adequate standing and is free from management or other restrictions. Whilst internal audit focuses on a Council's systems and procedures, it is important that audit retains its independence and is not subject to any influence from management or Council that impedes its ability to report objectively.

7.4.3 review all reports on the Council's operations from the external auditors;

Note that the reports to the audit committee need not be the detailed reports that are presented to management for their review. Ordinarily a high level review report is all that is required detailing the work undertaken, the findings and management response.

7.4.4 review and monitor management's responsiveness to the findings and recommendations of the external auditors; and

7.4.5 where appropriate, meet the "head" of the external auditors, without management being present, to discuss any issues arising from the internal audits carried out. In addition, the "head" of the external auditors shall be given the right of direct access to the Mayor of the Council and to the Presiding Member of the audit committee.

7.5 External audit

The committee shall:

7.5.1 develop and implement a policy on the supply of the statutory audit and non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;

7.5.2 consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.

The committee shall oversee the selection process for new external auditors and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required;

7.5.3 oversee Council's relationship with the external auditors including, but not limited to:

7.5.3.1 recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;

7.5.3.2 recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;

Terms of Reference for Council's Audit Committee cont'd...

    7.5.3.3   assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the external auditors, including the provision of any non-audit services;

    7.5.3.4   satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Council (other than in the ordinary course of business);

    7.5.3.5   monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and

    7.5.3.6   assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditors on the audit committee's own internal quality procedures);

7.5.4 meet as needed with the external auditors. The committee shall meet the external auditors at least once a year, (without management being present if requested); to discuss the external auditor's report and any issues arising from the audit;

7.5.5 review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement;

7.5.6 review the findings of the audit with the external auditors. This shall include, but not be limited to, the following;

    7.5.6.1   a discussion of any major issues which arose during the external audit;

    7.5.6.2   any accounting and audit judgements; and

    7.5.6.3   levels of errors identified during the external audit.

    The committee shall also review the effectiveness of the external audit.

7.5.7 review any representation letter(s) requested by the external auditors before they are signed by management;

    Note that these representation letters are a standard practice of any audit and provide the external auditors confirmation from management, (in particular the Chief Executive Officer) that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied.;

7.5.8 review the management letter and management's response to the external auditor's findings and recommendations.

City of
Mount Gambier

<u>Terms of Reference for Council's Audit Committee cont'd...</u>

8   Reporting responsibilities

8.1   The committee shall make whatever recommendations to Council it deems appropriate on any area within its terms of reference where in its view action or improvement is needed.

9   Other matters

The committee shall:

9.1   have access to reasonable resources in order to carry out its duties;

Note that this is subject to any budget allocation being approved by Council;

9.2   be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members;

9.3   give due consideration to laws and regulations of the Local Government Act, 1999;

9.4   make recommendations on co-ordination of the internal control and external auditors;

9.5   oversee any investigation of activities which are within its terms of reference; and

9.6   oversee action to follow up on matters raised by the external auditors;

9.7   at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

Mark McSHANE
CHIEF EXECUTIVE OFFICER

Adopted 1~~6~~8th August, 201~~65~~

City of Mount Gambier
Audit Committee

Work Program 2014 - 2018

Version 8. August, 2015

City of Mount Gambier **Audit Committee Work Program** *2014 - 2018*
[Amended and Updated August, 2015]

Activity	Timeframe	Current Status/Outcomes/ Benefits Achieved	Date Initially Completed	Follow-up Action
1 Financial Reporting				
Initial Focus				
1.1 Identify and review areas of accounting treatment that are open to discretion, and in particular have material impact on reported financial performance and position (e.g. assumed asset lives, depreciation methodology, asset revaluation frequency and techniques, capitalisation policies and overhead accounting treatments all can have material affect on the operating result and net asset values).	Annual	Briefing received. Satisfied with the information / outcomes and accept methodology that is used. Review of Council's Budget Monitoring Process completed. Accounting for leased assets strategy completed. **Ongoing monitoring is occurring.**	October 2007 August 2012 May 2013	Annual/ongoing process. Policy review completed March 2014 Work continuing on leases as they fall due.
1.2 Ensure that financial information included in publications for external audiences (eg annual report, Council newspaper, brochure to all ratepayers etc) accurately reflects key accrual based financial information and where appropriate sector-endorsed financial indicators.	Annual	Satisfied that all information provided is accurate and openly available. **Ongoing monitoring is occurring.**	October 2007	Ongoing monitoring will occur. Annual monitoring includes: • Annual Report • LTFP • Business Plan and Budget • Treasury Management • Budget Reviews

Subsequent Focus					
1.3	Ensure that asset values and depreciation rates are up to date and soundly based, including that they have particular regard to local conditions and do not just reflect common practice elsewhere e.g. • whether land values reflect the current local market; • whether infrastructure asset values reflect local replacement costs and the condition of existing assets; • whether an infrastructure asset condition audit been undertaken recently to assist in making this judgement.	Annual	Satisfied with all explanations and relevancy and currency of calculations, rates and values. Annual independent valuations obtained for some assets. Local application of values is necessary to verify values in Councils application. Employees can support their conclusions. Audit Committee notes the views of External auditor on valuations prepared by employees. Asset re-valuation strategy adopted in March 2014	October 2007	Annual Review – February/ March 'Staggered" approach to re-valuations commenced in 2015 Annual Review / Process
2	**Internal controls and risk management systems**				
Initial Focus					
2.1	Identify whether weaknesses in internal controls have been previously identified, e.g. by management or Council's external auditor, and if so whether action has been taken to have them addressed.	Annual	Satisfied that Council has responded to/explained reasons for/actioned improvements to the recommendations of the External Council Audit. Interim Audit continued on an annual basis with outcomes reviewed / monitored by Audit Committee. Annual review of its Internal Control Policy. Introduction of an online requisitioning software system.	Annual Annual July 2007 Dec 2014	Completed Completed Annual Review – May (deferred pending introduction of financial internal controls)

2.2	Establish whether locally appropriate strategies exist to minimise the likelihood of occurrence and adverse consequence for obvious and major internal control and other risks e.g:
	• consider the range of documented internal control policies and procedures;
	• whether they are being followed;
	• whether an assessment has been undertaken to identify foreseeable events with potentially catastrophic consequences and actions established to minimise their likelihood and effect e.g.
	  o whether a business continuity plan has been developed in case of major damage to key Council properties or other, eg computer, assets;
	  o whether there are significant risks that have been identified by Council's insurers that have not been reasonably addressed and therefore could jeopardise insurance cover in this regard.
		Annual	Risk Management reviews will form the basis of confidence in all internal controls and risk identification.
			
			New staff functions established within Council to address Risk Management across Council.
			
			Council currently undertaking a complete review of its Risk Management Framework and has provided regular updates to Audit Committee on progress.
			
			Risk Management Policy prepared and draft presented to Audit Committee.
				January 2009
				
				July 2014
					Completed in 2013
					
					Ongoing Process
					
					Ongoing Governance Reports to Committee

Subsequent Focus					
2.3	Ensure a thorough review is undertaken to identify locally appropriate internal control and risk management policies and procedures using formal tools and processes such as the *Internal Financial Controls – Best Practice Manual, 2002* (produced by the SA Local Government Financial Management Group) and/or other locally appropriate reference tools. Ensure that identified improvement opportunities can be appropriately addressed.	Annual Review	Ongoing Review (Legislation introduced) Refer 2.1 – Introduction of new Legislation Risk Assessment Process	January 2009 May 2015	Initial briefing to Audit Committee by External Auditors. Ongoing project being conducted on a regional basis Risk Assessments adopted by Council in June 2015. Procedures Manual to be developed

3	**Whistle blowing**				
Initial focus					
3.1	Identify whether the Council has in place simple, readily accessible arrangements for employees to confidentially raise concerns of alleged malpractice in accord with legislative provisions.	Annual Review	Elected Members and staff attendance at ICAC briefings	May 2009	Annual Review - February/ March of each year, annual notifications to employees, annual employee performance reviews to reference the Policy.
Subsequent focus					
3.2	Examine whether Council's whistleblower arrangements are well known to employees and effective having regard to local circumstances.	Ongoing monitoring	Matter to be actioned each year.

Policy review | November 2008 | Annual Review - February/ March of each year and annual distribution of Policy to all employees as a reminder. Employee awareness to be "tested" via annual performance reviews. Audit Committee to receive an annual report on any notifications. |
| 4 | **Internal audit** | | | | |
| *Initial focus* | | | | | |
| 4.1 | Where Council has an internal audit function:
• undertake a review of its charter and annual work plan and outcomes from its past work. Examine whether identified matters have been appropriately addressed; | Not Applicable | No internal audit function intended. | May | |
| | • if no formal internal audit function exists then explore whether such a service could be cost effectively provided (eg through an external service provider, possibly in conjunction with other Councils). | Annual Review | Financial Internal Controls Process (new legislation) will address this in some way | May | Continuation of interim Audit process at this time |

4.2	Examine whether Council has developed a formal policy and associated arrangements for exercising its powers regarding initiating and undertaking efficiency and economy audits e.g. • whether there is an objectively developed and strategically prioritised schedule of efficiency and economy audits; • whether it is the responsibility of the Internal Audit function to manage, or some other management arrangements are in place; • whether the audit committee itself should manage or just provide comment. The Audit Committee should provide advice to Council on this issue.	As and when necessary	Any reports to be made available to the Audit Committee.	March 2014	Ongoing. Audit Committee has confidence in Council and its administration to prepare detailed reports as and when required of a general nature or for a specific purpose for a specific project and the consequential impact on Councils financial sustainability
Subsequent Focus					
4.3	The Audit Committee should: • keep the operations of the internal audit function (where it exists) under review including approving its annual work program, and monitoring of its independence and performance and provide feedback as appropriate; • take internal audit plans and work outcomes into account in own decision-making and work program updates.	Not Applicable January 2009 to June 2009		March 2014 March 2014	Reviewed Annually (August) Reviewed Annually (August)
4.4	Having regard to results of its own work program and Council's available resources, risks and anticipated benefits and costs, the Audit Committee should identify whether there are key functions where it might recommend that an efficiency and economy audit be performed.	July 2009 to December 2009	Ongoing	March 2014	

5

5	**External audit**				
Initial Focus					
5.1	Meet with the Council's external auditor to: • invite presentation of the audit methodology and risk assessments within the audit plan; • discuss any qualifications raised in the most recent audit or comments made in the accompanying management letter; • assess the appropriateness of the Council's response to matters so raised; and, • invite comment on the financial systems and affairs of the Council having regard to comparable benchmarks.	Ongoing Regular Engagement.	External Auditor a regular attendee of the Audit Committee meetings.	March 2014	Regular meetings with the External Auditor to discuss: • internal controls audit • statutory financial audit
5.2	Ensure that appointment arrangements for the external auditor conform with legislative provisions.	May 2007	LGA Model Audit specification used as part of the appointment process.	February 2012	Appointment from the 2011/12 Audit completion to the 2016/17 Audit completion was made by Council at its meeting held on 14th February, 2012.
5.3	Ensure compliance with regulation 16A of the Local Government (Financial Management) Regulations 1999 which prevent a Council from engaging its auditor to provide any services to the Council outside the scope of the auditor's functions under the Local Government Act.	Ongoing	Annual Statement signed by the Presiding Member compliance achieved. Audit Committee understands the requirements of R16A.	October 2008	Annual Review - November of each year.
Subsequent Focus					
5.4	Keep oversight of the Council's relationship with its external auditor and develop an appropriate timeframe to address all matters requiring consideration in the appointment/re-	Ongoing	Regular attendance at Audit Committee meetings. No further action required.	June 2007	Ongoing - As per contract of appointment.

	appointment of the external auditor and manage this process when it falls due *[note: amendments to section 128 provide that the Council's auditor must be rotated after no more than five years].*				
6	**Reporting**				
Initial and Ongoing Focus					
6.1	Ensure that significant, urgent matters identified through the work program are formally and promptly reported to Council.	Ongoing	Ongoing	August 2013	Ongoing.
6.2	Report annually to Council; - outlining outputs relative to the audit committee's work program and the results of a self-assessment of performance for the preceding period including whether it believes any changes to its Terms of Reference are appropriate; - outlining any identified training needs; - advising future work program proposals; and, - invite comment from Council on all of the above.	Ongoing	Have adopted guidelines from LGA on form / content of the Audit Committee Annual Report to Council.	August 2013	Annual Report includes review of Committee Terms of Reference, Work Program and a self assessment of Committee Performance – August of each year.
7	**Other Matters**				
Initial Focus					
7.1	Review, and where warranted suggest improvements in, the formats of budget and actual financial performance information reported to the Council to ensure they: - are succinct, easy to follow and pitched with a strategic focus; - are based on accrual accounting information and include the material required by Regulation 5B and Regulation 7(3) of the Local Government (Financial Management) Regulations 1999; and,	May 2008	Considerable work completed on structure / content of Business Plan and Budget Documentation (including Consultation Methods)	June 2009	Ongoing refinement process. Use of external specialist resources to assist Council with these processes.

	• incorporate key financial sustainability information including comparison of actual and budgeted performance against targets, where they have been set by Council, for sector endorsed financial indicators.				

7.2	Review the Council's financial governance arrangements and their effectiveness including:
	• the processes in place to ensure;
	   o all Council Members and the executive team have appropriate knowledge of key financial governance principles, issues and reporting tools in the context of Local Government financial sustainability; and,
	   o where warranted, existing knowledge and skills are augmented with locally appropriate training and support;
	
	• the appropriateness of existing strategic financial decision-making models and processes underpinning Council's long-term financial plan (or assist with its development if necessary) and annual business plan;
	• the appropriateness of targets established by Council for sector-endorsed Local Government Financial Indicators having regard to *Financial Sustainability Information Paper 12: Targets for Local Government Financial Indicators* (or assist with the development of these as necessary) and,
		July 2008 to December 2008	Audit Committee undertook a review of Councils Financial Governance Best Practice based on 13 characteristics.
			
			Council to participate in any LGA Performance Programs.
			
			Considered as part of the recent organizational and functional review of Council administration
				May 2009
				
				July 2010
					Annual review
					
					Audit Committee monitors closely Council's FSI outcomes at annual Budget and within AFS. Audit Committee also to monitor Council's Treasury Management and Debt Management strategies.
					
					Appointment of specialist officers as a result of the review.
					
					Use of specialist external resources as and when required.
					
					Annual Report / Review of key financial sustainability indicators (FSI).
					
					Annual Review of LTFP.

	• the appropriateness of the range and content of Council's financial policies and practices (and in particular in regard to treasury management having regard to *Local Government Financial Sustainability Information Paper 10: Debt Management*).				
Subsequent Focus					
7.3	Comment on the draft annual business plan prior to its formal consideration for adoption by Council, particularly in terms of consistency with Council's strategic plans, recognising that Council is responsible and accountable for policy positions and service level decisions but mindful also that the audit committee has responsibilities to ensure Council is aware of the impact on ongoing financial sustainability of its proposals.	Ongoing	Will continue to be a focus of the Audit Committee.	Annual	Ongoing in collaboration with Council.
7.4	The audit committee should satisfy itself regarding the: • consistency of Council's strategic plan(s) with its long-term financial plan; • consistency of Council's long-term financial plan with its infrastructure and asset management plan (I&AMP); • soundness of the I& e.g. is it supported by engineering and other professional assessments regarding the condition of Council's infrastructure assets? • likely impact on Council's ongoing financial sustainability of implementation of its suite of strategic management plans.	Ongoing	Will continue to be a focus of the Audit Committee. Continue to monitor the alignment of Councils Strategic Management Framework.	Ongoing	Ongoing responsibility of the Audit Committee.

8	Version Control				
			Committee		**Council**
8.1	Initial Adoption				17th July, 2007
8.2	Review		June 2010		June 2010
8.3	Review		October 2010		November 2010
8.4	Review		February 2012		February 2012
8.5	Review		May 2012		May 2012
8.6	Review		August 2013		September 2013
8.7	Review		August 2014		September 2014
8.8	Review		July 2015		August 2015

City of Mount Gambier
Audit Committee

Work Program 2014 - 2018

Version 9. August, 2016

City of Mount Gambier Audit Committee Work Program *2014 - 2018*
[Amended and Updated August, 2016]

Q1 - August   **Q2 - October**   **Q3 - February**   **Q4 - May**

Activity	Meeting	Current Status/Outcomes	Follow-up Action
1 **Financial Reporting**			
1.1 Identify and review areas of accounting treatment that are open to discretion, and in particular have material impact on reported financial performance and position.	Q3	Regular briefings by Staff/Auditors	Ongoing monitoring - Q3.
1.2 Ensure that financial information included in publications for external audiences (eg annual report, Council newspaper, brochure to all ratepayers etc) accurately reflects key accrual based financial information and where appropriate sector-endorsed financial indicators.	Quarterly	Annual monitoring includes: • Annual Report • LTFP • Business Plan and Budget • Treasury Management • Budget Reviews • Grants Commission Comparative Reports • Treasury Management • Financial Sustainability	Ongoing monitoring will occur.
1.3 Ensure that asset values and depreciation rates are up to date and soundly based, including that they have particular regard to local conditions and do not just reflect common practice elsewhere.	Q3	Asset re-valuation strategy adopted and reviewed on a regular basis	Annual Review - Q3

1

2	**Internal Controls and Risk Management Systems**			
2.1	Meet with Council's Auditor to review the annual Interim Audit results and findings.	Quarterly	Completed	Ongoing/Monitoring
2.2	Ensure Council's Financial Internal Control regime is implemented, is reviewed and monitored as an ongoing program.	Q4	Ongoing Program Monitoring	Ongoing Process - Q4
2.3	Ensure Council's Risk Management Framework is continually monitored with major risks being identified and risk minimisation strategies developed.	Quarterly	Risk Management Framework adopted Risk Register Under Review	Ongoing project Regular Reporting
2.4	Ensure Council's Business Continuity Plan is monitored and is functioning effectively.	Quarterly	To be reviewed as part of Risk Review Process	Regular Ongoing Reports

3	**Internal Audit**			
3.1	Monitor Council's Internal Audit Program	Q4	Completed/Implemented	Regular reporting regime implemented
3.2	Make recommendations on the Internal Audit Program findings.	Q1	Regular feature of Audit Committee Agendas	Regular reporting regime implemented - Q1
3.3	Make recommendations on any operational areas that may benefit from the undertaking of an efficiency and economy audit.	Quarterly	Nothing identified at this time	Completed

4	**External audit**			
4.1	Meet with the Council's external auditor to: • invite presentation of the audit methodology and risk assessments within the audit plan; • discuss any qualifications raised in the most recent audit or comments made in the accompanying management letter; • assess the appropriateness of the Council's response to matters so raised; and, • invite comment on the financial systems and affairs of the Council having regard to comparable benchmarks.	Quarterly	External Auditor a regular attendee of the Audit Committee meetings.	Regular meetings with the External Auditor to discuss: • internal controls audit • statutory financial audit
4.2	Ensure that appointment arrangements for the external auditor conform with legislative provisions.	Periodic	LGA Model Audit specification used as part of the appointment process. Tender process conforms with procurement policy and legislative provisions.	Current Process (August 2016)
4.3	Keep oversight of the Council's relationship with its external auditor and develop an appropriate timeframe to address all matters requiring consideration in the appointment/reappointment of the external auditor and manage this process when it falls due (note: amendments to section 128 provide that the Council's auditor must be rotated after no more than five years)	Quarterly	Regular attendance at Audit Committee meetings. No further action required.	Ongoing - As per contract of appointment.
4.4	Ensure compliance with regulation 16A of the Local Government (Financial Management) Regulations 1999 which prevent a Council from engaging its auditor to provide any services to the Council outside the scope of the auditor's functions under the Local Government Act.	Q 2	Annual Statement signed by the Presiding Member compliance achieved. Audit Committee understands the requirements of R16A.	Annual Review Q2

4

5	**Reporting**			
5.1	Ensure that significant, urgent matters identified through the work program are formally and promptly reported to Council.	Quarterly	Ongoing	Ongoing
5.2	Report annually to Council; • outlining outputs relative to the audit committee's work program and the results of a self-assessment of performance for the preceding period including whether it believes any changes to its Terms of Reference are appropriate; • outlining any identified training needs; • advising future work program proposals; and, • invite comment from Council on all of the above.	Q1	Have adopted guidelines from LGA on form / content of the Audit Committee Annual Report to Council. Annual Report includes review of Committee Terms of Reference, Work Program and a self assessment of Committee Performance - August of each year.	Q1

6	**Other Matters**			
6.1	Review, and where warranted suggest improvements in, the formats of budget and actual financial performance information reported to the Council..	Quarterly	Ongoing Review Process	Ongoing refinement process.
6.2	Review/provide comment on Council's annual draft Business Plan in terms of consistency with Council's Strategic Plans and the impact on ongoing financial sustainability.	Q3	Ongoing responsibility of the Audit Committee.	Q3
6.3	Consider the appropriateness of the range of content of Council's financial policies and practices including Governance, Fraud and Corruption Framework and Treasury Management.	Q1	Ongoing, Regular Process	Q1
6.4	Review/provide comment on Council's draft annual business plan in terms of consistency with Council's Strategic Plans and the impact of ongoing financial sustainability	Q1, 2	Ongoing, Regular Process	Q1,2
6.5	Consider the appropriateness of the range and content of Council's financial policies and practices including treasury management and debt management practices.	Q3	Ongoing, Regular Process	Q3

7 **Version Control**			
		Committee	**Council**
8.1	Initial Adoption		17th July, 2007
8.2	Review	June 2010	June 2010
8.3	Review	October 2010	November 2010
8.4	Review	February 2012	February 2012
8.5	Review	May 2012	May 2012
8.6	Review	August 2013	September 2013
8.7	Review	August 2014	September 2014
8.8	Review	July 2015	August 2015
8.9	Review	August 2016	August 2016

SUBJECT: ANNUAL REPORT TO COUNCIL BY THE AUDIT COMMITTEE - 2015/2016

REF: AF11/863

Goal: Governance
Strategic Objectives: Establish measures for Council's performance and continually compare against community expectations.

BACKGROUND

Annual Reporting to Council

The Audit Committee is required to provide an Annual Report to Council and should include, where appropriate, its comments on:

- any areas of accounting treatment that are open to discretion and in particular have material impact on reported financial performance and position;
- the veracity of financial information included in publications for external audiences;
- the adequacy of asset values and depreciation methodology;
- the adequacy of strategies to minimise the likelihood of occurrence and adverse consequence for obvious and major internal and other risks;
- the adequacy of arrangements for employees to confidentially raise concerns of alleged malpractice in accord with legislative provisions;
- the effectiveness of the internal audit function, where this exists (in particular, the adequacy of the internal audit function for managing the risks to which the Council's operations are exposed);
- the arrangements in place for initiating and undertaking efficiency and economy audits;
- the conformity of the appointment arrangements of the external auditor with legislative provisions; and,
- its monitoring of progress in response to its previous recommendations regarding areas requiring improvement.

The Annual Report to Council will include a review of the Audit Committee's Performance and Terms of Reference. It will also identify training needs for its members, include any recommended changes to its operation that it considers necessary to improve its efficiency and effectiveness and set out its work program for the forthcoming twelve months.

In the process of preparing its Annual Report to Council the Audit Committee has completed a self-assessment of its performance over the previous twelve months. The self-assessment has been prepared following consultation with all Audit Committee members and include:

- its understanding of its role and responsibilities;
- its membership e.g. the balance of independent and Council Members;
- the conduct of its meetings including frequency, length and attendance;
- the objectivity and independence of its operations over the relevant period;
- the adequacy of the resources available to it;
- the relevance and clarity of its work program for the relevant period;
- the outcomes achieved in its work program;
- its effectiveness in providing advice and recommendations to Council and/or management about actions to be taken to enhance financial governance;
- the activities undertaken and their relevance to its terms of reference.
- the relevance and clarity of its work program for the relevant period;
- the outcomes achieved in its work program;

<u>Corporate and Community Services Report No. 55/2016 cont'd…</u>

- its effectiveness in providing advice and recommendations to Council and/or management about actions to be taken to enhance financial governance;
- the activities undertaken and their relevance to its terms of reference.

Reporting responsibilities

The Audit Committee is like any other Council Committee and is subject to the requirements of the Local Government Act at Section 41 (for example, reporting and accountability). The duties at Section 62 and the obligations of Sections 73 and 74 apply to its members.

The Audit Committee Terms of Reference require the committee to:

- make whatever recommendations to the Council it deems appropriate on any area within its terms of reference where in its view action or improvement is needed; and
- at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to Council for approval.

Audit Committee Annual Report - 2015/2016

Councils Audit Committee has resolved to provide Council with a formal report on its activities, achievements, recommendations and issues on an annual basis.

The report to Council (as attached) is in the form of the LGA based best practise model that has been adapted by the Audit Committee to suit the needs of the City of Mount Gambier Audit Committee having regard to the internal processes and procedures of both Council and the Audit Committee.

Also attached is an updated "Work Program for the Audit Committee 2014 - 2018" which is a constant agenda item the committee's program of works is based upon.

<u>RECOMMENDATION</u>

(a)   Corporate and Community Services Report No. 55/2016 be received;

(b)   Council adopt the 2015/2016 City of Mount Gambier Audit Committee Annual Report, as presented in Corporate and Community Services Report No. 55/2016.

Grant HUMPHRIES
DIRECTOR - CORPORATE SERVICES

Sighted:

Mark McSHANE
CHIEF EXECUTIVE OFFICER

30th June 2016

AF11/863
MT/FM

City of Mount Gambier Audit Committee Annual Report for 2015/2016

This 2015/2016 Annual Report presents a summary of the *City of Mount Gambier* Audit Committee's activities undertaken and recommendations made during the 2015/2016 *financial year*. It includes a review of the Committee's Work Program 2014-2018.

Conduct of Meetings

The Committee met on four occasions during the period 1st July, 2015 to 30th June, 2016 with the following attendance:

Date	No of Members Attending
28/07/2015	3 of 3
13/10/2015	3 of 3
22/03/2016	2 of 3
31/05/2016	2 of 3

Committee Member	No of Meetings Attended
Donald Currie	3 of 4
Jeroen Zwijnenburg	3 of 4
Cr Sonya Mezinec (from 2015)	4 of 4

Committee Activities

The principal issues addressed by the Audit Committee during the 2015/2016 financial year are detailed in Attachment I to this report.

Members Training

During 2015/2016 year, Audit Committee Members attended the following training courses/sessions:

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

Audit Committee Evaluation

The Audit Committee undertook a review of its Terms of Reference and also the Self Assessment of its own performance on 2nd August, 2016. The Self Assessment was undertaken by all Committee Members and took into account factors such as:

- the Committee's work program;
- the Committee's operating environment;
- 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 (on 2nd August, 2016) of its Terms of Reference and its Self Assessment are to be documented to Council using the following table:

Issue	Comment(s)	Recommendation(s)
Role & Terms of Reference	*The Audit Committee is of the view that functions and extent of authority as defined under S126(4) LGA are adequately defined in the Terms of Reference established by Council*	*The Audit Committee is of the view that its role and function is not to compete with the role of the Corporate and Community Services Committee, nor to make decisions in lieu of Council, but rather to examine and comment on financial statements/internal control framework and activities of Council*
Independence	*The Audit Committee is of the view that it is able to form opinions and express views without coercion or undue influence of external persons or bodies*	*The Audit Committee believes the invited attendance of the CEO, Director - Corporate Services, Finance Manager and Management Accountant provides direction without influence. Continued attendance is desirable*
Committee Skills/Training	*The Audit Committee is of the view that its members have been selected due to their qualifications and expertise*	*Members consist of accounting representation and are subject to ongoing professional training*
Council Structure and Decision Making	*The Audit Committee have been made aware of the processes of Council and are provided with copies of public financial statements, policies and reports of Council*	*Audit Committee Members have been made aware of the Council structure and decision making process following the recent review of Council's decision making structure and the completion of an organisational and functional review*
Meeting Operation and Frequency	*The Audit Committee has been meeting on a regular basis since inception*	*The Audit Committee holds the view that current frequency and duration is adequate to address issues*
Resources available to the Audit Committee	*The Audit Committee utilises the resources of Council through the attendance of the CEO, Director – Corporate Services, Finance Manager and Management Accountant and other employees as requested*	*The Audit Committee has liaised with external auditors and Council employees as required in order to meet its role and terms of reference*

Audit Committee's working relationship with Council and the senior management team	*Council appears to be aware of role and function of Audit Committee. Presence of CEO, Director – Corporate Services, Finance Manager and Management Accountant assist Audit Committee in decision achievement*	*No issues of conflict have arisen. The Audit Committee recognises the significant role played by Council employees to address and advise the Committee*
The Audit Committee members' understanding of financial indicators (and targets for these) being used to assess the Council's performance work program	*The Audit Committee regularly monitors and assesses financial performance indicators as published. Comparison with other Councils and advice from LGA is also noted*	*The Audit Committee holds the view that expenditure allocation, particularly depreciation, greatly affects financial indicators and status*
The Audit Committee's access to appropriate Council information	*The Audit Committee notes the inclusion of its role and function in decisions of major financial expenditure*	*The Audit Committee is able to be involved with complementary committees, receive financial expenditure projections and reviews of major expenditure and contract negotiation and is able to actively participate in Council.*
The extent to which the Audit Committee's advice is contributing to the effective operation of the Council	*The Audit Committee recognises that its role and terms of reference are a requirement of the LGA. Members are cognisant of their requirement to monitor and review financial practices and, public financial statements of Council*	*The Audit Committee holds the view that its function and role will be increasingly viewed as complimentary to Council in its activities for ratepayers*

The Audit Committee is currently satisfied that its Terms of Reference remain appropriate. The Self Assessment and the Terms of Reference Review will be reviewed again in respect of the 2016/2017 year.

As part of the self assessment process the Audit Committee may recommend training/ professional development for its Members:

Training/Professional Development Need	Committee Member
Nothing specified at this time	

Audit Committee Work Program 2014-2018

As a result of its review of activities on 2nd August, 2016 the Audit Committee updated the Work Program 2014 - 2018 (to version 9) which is attached hereto and which is recommended for endorsement by Council.

Presiding Member

The Annual Report was considered by the Audit Committee on 2nd August, 2016 and recommended for adoption.

Audit Committee Members are prepared to make themselves available at the Corporate and Community Services Committee to discuss or clarify any aspects of the 2015/2016 Audit Committee Annual Report.

CITY OF MOUNT GAMBIER
AUDIT COMMITTEE
2ND AUGUST, 2016

14th June, 2016
MJT

Principal Issues Examined		Comment / Status	Recommendations to Council
External Auditor	2015 Interim Audit	Review Audit Management Letter Recommendations	Implement and monitor recommendations
External Auditor	2015 Statutory Audit	Review Audit Management Letter Recommendations	Implement and monitor recommendations
External Auditor	Meeting Attendance	Represented at 3 of the 4 Meetings	

Audit Committee	2015 Annual Report to Council	Incorporating - Review of Terms of Reference
		             - Self Assessment process
		             - Review Audit Works Program
			Recommendations adopted by Council

Policy Reviews	Fraud and Corruption Framework	Ensure Review Completed	Adopted by Council
	Whistleblowers Policy	Ensure Review Completed	Adopted by Council
	Internal Review of Council Decisions	Ensure Review Completed	Recommendations adopted by Council
	Complaints Handling	Ensure Review Completed	Recommendations adopted by Council
	Risk Management Framework	Ensure Review Completed	Recommendations adopted by Council
	Procurement Policy	Ensure Review Completed	Recommendations adopted by Council
	Monitoring Budget Performance	Review	Recommendations adopted by Council
Long Term Financial Plan	Review of Long Term Financial Plan	Monitor annual review process	Recommendations adopted by Council
Risk Management	Policy review	Consider regular reports / updates / presentations	Information Report to Council
	Business continuity	Ongoing Governance and Corporate Risk Updates	Information Report to Council
Financial Internal Controls	Internal Program	Adoption of Risk Assessments	Recommendations adopted by Council
		Program Report/Findings	Information Report to Council
Treasury Management	Annual Report	Review	Recommendations adopted by Council
Council Annual Report		To Audit Committee for information	Information report to Council
Business Plan and Budget Program		To Audit Committee for information	Information report to Council
Budget Reviews (5 of)		Review in context of Council policy	Information report to Council
Information Reports	Various	Strategic Plan – KPI Review	Information report to Council
		Investment Review	Information report to Council
		Draft Business Plan and Budget	Information report to Council
		SA Grants Commission database comparative reports	Information report to Council
		Council delegations and appointments review	Information report to Council
		Council fees and charges review	Information report to Council
		Conflict of Interest (LG Act Provisions)	Information report to Council
		Valuation and rating review	Information report to Council
		External Audit Services - Expiry of Contract	Recommendations Adopted by Council
Annual Financial Statements	2015/2016	Adoption	Recommendations Adopted by Council
		Certify Independence of Council Auditor	Recommendations Adopted by Council
Financial Sustainability	Key Financial Indicators	Report on 2014/2015 Results	Recommendations Adopted by Council
Asset Management	Update of Plan	Review Plan	Recommendations Adopted by Council
Asset Revaluation Strategy		Update / Amend Strategy	Recommendations Adopted by Council