

Report of Governance to the Ordinary Meeting of Council held on Monday 19 December 2016

GO8 – Audit Committee Annual Review

GO8 **Audit Committee Annual Review**
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TRIM 5374-3

EXECUTIVE SUMMARY

- The purpose of this report is to advise of the performance of the Audit Committee for the preceding financial year.
- It is recommended that Council receive the Audit Committee Annual Review report and thank the external representatives for their contribution to the effectiveness of Council's Audit Committee in the 2015/16 financial year.

REPORT

Council's Audit Committee provides Council with independent oversight and monitoring of the Council's audit processes, including the organisation's internal control activities.

A strong relationship between the Audit Committee and the internal audit function enables the Committee to meet its responsibilities and carry out its functions. The Audit Committee establishes the importance and executive direction for the internal audit function and ensures that Council achieves maximum value from the internal audit function.

In the second half of 2015 Council re tendered for the provision of internal audit services. Following the tender process, InConsult was re-appointed to provide internal audit services to Council for the period 1 July 2016 to 30 June 2020.

InConsult's first task was to conduct an updated risk assessment of all Council functions and activities in order to develop a new four-year internal audit plan. Following consultation with Council management and the Audit Committee, a new internal audit plan was endorsed by the Committee on 11 May 2016.

Currently it is proposed to audit:

- Waste Contracts
- Planning certificates
- Human Resources.

At the time of writing this report the waste contracts audit was underway but had not yet been finalised.

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The membership term for the external or independent committee members is four years. The timeframe for the appointment of new external or independent members will occur in 2017, 2018 and 2019 upon the four year tenure of the current sitting members.

Internal audit was also requested by management to conduct reviews of the hire of rock fall barriers on Remembrance Drive Razorback and the temporary closure of the Bargo Waste Management Centre in August 2016. Both of these reviews recommended a number of process improvements and implementation of additional internal controls.

The Audit Committee adopted a new set of Key Performance Indicators to measure the performance of both the Committee and the internal audit function moving forward.

These indicators are:

KPIs for the Internal Audit Function

KPI	How Will it Be Measured	Target Level
Level of satisfaction of business units subject to internal audit with: Communication between the audit team and business unit management Comprehensiveness of the audit Relevance of audit recommendation Quality of the audit report	Brief survey to be issued to business area following completion of each audit	At least 90% satisfaction
% of audits completed annually vs proposed audits in audit plan	Tally of audits completed	100%
Level of satisfaction of Audit Committee and MANEX with internal audit function	Annual survey of audit committee and MANEX members	At least 90% satisfaction

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KPI	How Will it Be Measured	Target Level
Time taken to complete audit projects	Date from Engagement Letter to issue of Final Report	Six weeks
Time taken to implement audit recommendations	Time taken to implement audit recommendations	Zero recommended actions greater than 3 months overdue
Follow Up Audits	Number of follow up audits completed	At least 2 follow up audits (of high priority recommendations) completed annually

Progress against each of these KPIs will be reported to each meeting of the Audit Committee.

Finally, in March 2016, Council’s Executive and the Internal Auditor conducted a review of all outstanding recommendations from previous internal audits.

This review resulted in a number of previously completed actions being removed from the outstanding actions list and a number of overdue actions being implemented.

The Audit Committee also reviewed and were kept apprised of a number of processes/activities during the last financial year. These processes/activities include:

- Activities/works associated with Capital Works including application of the Special Rate Variation
- Voluntary Planning Agreements & Section 94 Development Contributions Management
- Growth Updates
- IT system issues with Accounts Payable Workflows
- Quarterly Budget Reviews
- Governance Health Check - Evaluation Form & Health Check Action Plan
- Business Continuity (Data Loss Prevention).

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KPIs for the Audit Committee

KPI	How Will it Be Measured	Target Level	Progress as at 30/6/16
Attendance by members at Audit Committee Meetings	Monitor attendance register	Attendance at 75% of meetings or more by each member	Michael Muston - 4 of 4 Andrew Hanigan - 3 of 4 Julie Walton - 4 of 4 Cr Mitchell - 1 of 1 Cr Gibbs - 4 of 4 Cr Landow - 1 of 3 (since 18/11/15)
Number of Audit Committee Meetings held	Minutes of each Committee meeting	At least four meetings per annum	4 held in financial year (1/7/15 - 30/6/16)
Timeliness of annual report to Council	Date of submission of annual Audit Committee report to Council	Within 2 months of end of each financial year	Last report submitted in December 2015
Reporting of Audit Committee functions/ outcomes to community	No. of Community Forums at which information provided regarding internal audit.	At least one meeting per year	Last forum attend in December 2015
Currency and coverage of internal audit plan	Date of review of Internal audit plan	Audit Plan reviewed at each meeting of the Committee	Last review completed and endorsed 11/5/16
Currency and relevance of Internal Audit Committee Charter	Date of review of Charter	Within 2 months of end of every second financial year	Last review February 2016

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CONSULTATION

- Internal Auditor
- Council Executive

FINANCIAL IMPLICATIONS

Provision has been made within the adopted budget for the Internal Audit function.

ATTACHMENTS

Nil.

RECOMMENDATION

1. That Council receive the Audit Committee Annual Review report.
2. That Council forward a letter to the external representatives thanking them for their contribution to the effectiveness of Council's Audit Committee in the 2015/16 financial year.