ITEM-168 **CCL 15/11/11 - Audit Committee Report**

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PURPOSE

1 To provide an annual report to Council on the activities of the Audit Committee.

RECOMMENDATION

2 The report be received.

BACKGROUND

3 On 19 May 2009 Council established the Audit Committee and appointed Councillors Luke and Claydon as members of the Audit Committee.

4 On 16 March 2010 adopted the Audit Committee Constitution and appointed three external members to the Audit Committee.

5 On 20 October 2009 Council adopted the Strategic Advisory Committee structure. This structure provides for the Audit Committee to report directly to Council on an annual basis. The Division of Local Government's *Internal Audit Guidelines* (September 2010) also recommend at least annual reporting to Council.

KEY ISSUES

7 The Audit Committee "plays a pivotal role in the governance framework to provide Council with independent oversight and monitoring of the Council's audit processes, including the Council's internal control activities. This oversight includes internal and external reporting, risk management activities, internal and external audit and compliance." (Division of Local Government, *Internal Audit Guidelines*, September 2010).

FINANCIAL IMPACT

8 The payment of external Audit Committee members has a moderate financial impact on Council. The budget is adopted in the annual operational plan.

KEY ACHIEVEMENTS

9 The Audit Committee has recorded a number of key achievements since July 2010 including:

- conducting seven meetings of the committee;
- overseeing the implementation of audits scheduled in Council's Strategic Internal Audit Plan;
- completing a self assessment process;
- developing a long term improvement plan for the Audit Committee and Council's internal audit function;
- approving annual audit programs for 2010/2011 and 2011/2012;
- undertaking a comprehensive review of amended DLG Internal Audit Guidelines (September 2010);
- strengthening relationships with Council's external auditors; and
- formulating a three year rolling calendar of Audit Committee business.

AUDITS

10 Since inception in July 2010, the Audit Committee has provided independent oversight and monitoring of 11 internal audit reports. These are:

- Cash handling and sundry revenue
- Contract management
- Mainstreets
- Payroll and leave management
- Procurement
- Project management
- Secondary employment
- Conflicts of interest in relation to DAs
- Accounts payable
- Rates, billings, collections and trust funds
- IT access and security

11 Five internal audits are scheduled for the 2011/2012 financial year. These are:

- Payroll and leave management
- Superannuation
- Records management
- Recruitment and selection
- Commercial leases

APPOINTMENT OF A NEW EXTERNAL MEMBER

12 During November 2011, the Audit Committee selection panel will nominate a replacement external member to be appointed for a period of three years, in accordance with section 10.2 of the Audit Committee Constitution.

13 Council wishes to thank departing external member, Ian McEwan, for his valuable contribution to the Audit Committee.

IMPROVEMENT PLAN

14 During August 2010, Council conducted an assessment of Council's audit function. The aim of the assessment was to review the performance of the Audit Committee against the terms of reference of the Constitution and review the performance of Council's internal audit function.

15 Strategic areas were identified for improvement of the Audit Committee and internal audit at Council. Implementation actions include a review of the Audit Committee Constitution and development of an internal audit organisational communication strategy.

REFERENCES

ATTACHMENTS

Nil