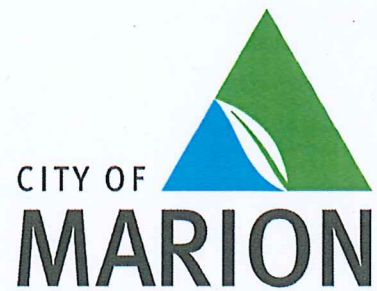


Her Worship the Mayor  
Councillors  
**CITY OF MARION**



**NOTICE OF  
AUDIT COMMITTEE MEETING**

Notice is hereby given pursuant to the provisions under Section 83 of the Local Government Act 1999 that a General Council meeting will be held

**Tuesday 16 December 2014**

**Commencing at 2.00 p.m.**

**In the Council Chamber**

**Council Administration Centre**

**245 Sturt Road, Sturt**

A copy of the Agenda for this meeting is attached in accordance with Section 83 of the Act.

Meetings of the Council are open to the public and interested members of this community are welcome to attend. Access to the Council Chamber is via the main entrance to the Administration building on Sturt Road, Sturt.

A handwritten signature in black ink, appearing to read "Mark Searle", is written over a horizontal line.

**Mark Searle  
CHIEF EXECUTIVE OFFICER**

11 December 2014

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**CITY OF MARION  
AUDIT COMMITTEE AGENDA  
FOR THE MEETING TO BE HELD ON  
TUESDAY 16 DECEMBER 2014  
COMMENCING AT 2.00 PM  
CHAMBER, ADMINISTRATION CENTRE  
245 STURT ROAD, STURT**



**1. OPEN MEETING**

**2. KAURNA ACKNOWLEDGEMENT**

*We would like to begin by acknowledging the Kurna people, the traditional custodians of this land and pay our respects to their elders past and present. We recognise and respect Kurna cultural heritage, beliefs and relationship with the land. We acknowledge that they are of continuing importance to the Kurna people living today.*

**3. MEMBER'S DECLARATION OF INTEREST (if any)**

**4. CONFIRMATION OF MINUTES**

Confirmation of the Minutes for the Audit Committee meeting held 14 October 2014 .... 5

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**5. BUSINESS ARISING**

5.1 Review of the Action Statement & Improvement Plan identifying business arising from previous meetings of the Audit Committee ..... 15

**6. REPORTS**

**Matters for Discussion**

Corporate & Financial Management

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6.2 Savings Strategy – Summary Report  
AC161214R6.2.....23

Risk Management & Program Evaluation

6.3 Review Recommendations Update (Core Assurance and Service Reviews)  
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6.4 Core Assurance Health Check: Goods and Services Tax (GST) and Fringe Benefits Tax (deferred from October 2014 meeting)  
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6.5	Service Review Project Briefs	
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Audit Committee Operations

6.6	Work Program and Meeting Schedule 2015	
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**7. CONFIDENTIAL ITEMS**

Nil

**8. ANY OTHER BUSINESS**

**9. MEETING CLOSURE**

The Audit Committee meeting shall conclude on or before 6.00 pm unless there is a specific motion adopted at the meeting to continue beyond that time.

**10. NEXT MEETING**

The next meeting of the Audit Committee is scheduled to be held on:

**To Be Confirmed**

**MINUTES OF THE AUDIT COMMITTEE MEETING  
HELD AT THE ADMINISTRATION CENTRE  
245 STURT ROAD, STURT  
ON TUESDAY 14 OCTOBER 2014**



**PRESENT**

**Mr Greg Connor (Chair), Councillor Alice Campbell, Ms Cathy Cooper, Mr Lew Owens**

**In Attendance**

Mr Mark Searle	Chief Executive Officer
Mr Vincent Mifsud	Director
Ms Heather Montgomerie	Director
Fiona Harvey	Acting Director
Ms Kate McKenzie	Manager Governance
Mr Ray Barnwell	Manager Finance

**1. OPEN MEETING**

The meeting commenced at 2.12 pm. The Chair welcomed all those present to the meeting.

**2. KAURNA ACKNOWLEDGEMENT**

*We would like to begin by acknowledging the Kurna people, the traditional custodians of this land and pay our respects to their elders past and present.*

**3. MEMBERS DECLARATION OF INTEREST**

The Chair asked if any Member wished to disclose an interest in relation to any item being considered at the meeting.

Ms Cooper requested that the Committee note that she is the Chairperson of Council Solutions Board and member of the Fleurieu Regional Waste Authority (FRWA).

Mr Connor requested that the Committee note that he is a member of the Southern Region Waste Resources Authority (SRWRA) Audit Committee.

**4. CONFIRMATION OF MINUTES**

**Moved Mr Owens, Seconded Councillor Campbell** that the minutes of the Audit Committee meeting held on 29 July 2014 be confirmed as a true and correct record of proceedings subject to changing the time of the October 2014 meeting in the minutes from 3 pm to 2 pm.

**Carried Unanimously**

**5. BUSINESS ARISING**

The statement identifying business arising from previous meetings of the Committee was reviewed and progress achieved against identified actions was noted. The following was noted by the Committee;

- Core assurance and service reviews (item 6) has a due date of March 2015 regarding the new tender and contract arrangements. The Committee noted that work is progressing on the specifications for the new contract and by March it is expected that the tender will be close to being complete. The Committee suggested changing the wording in this item to reflect the comment.
- The Committee noted that the Local Government Association Mutual Liability Scheme Risk Review was not presented at this meeting as a full review had not been completed this year. A truncated version had been completed but results were yet to be received by City of Marion (CoM).

## **6. REPORTS**

Mr Connor noted at the beginning of the meeting that due to illness of one of the Members, the Committee will address those items associated with the audited end of financial year statements and all other matters will be deferred until the December 2014 meeting.

### **Corporate and Financial Management**

#### **6.1 Independence of Council's Auditor for the year ended 30 June 2014**

**Report Reference: AC141014R6.1**

An overview of the report was provided noting the requirements of the financial regulations and that the independence of the auditor must not be compromised.

**Moved Councillor Campbell, Seconded Ms Cooper** that the Audit Committee:

1. Note the statement provided by Council's Auditor attesting to their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2013/14 financial year.
2. Note that the CEO will be signing a statement that Council's external auditor Deloitte Touché Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2013/14 financial year. Endorse the Chairperson signing a statement that Council's external auditor Deloitte Touché Tohmatsu maintained their independence in accordance with the Local Government (Financial Management) Regulations 2011 for the 2013/14 financial year.

**Carried Unanimously**

#### **6.2 Annual Financial Statements for the year ended 30 June 2014**

**Report Reference: AC141014R6.2**

#### **2.20 pm Ms Penny Woods (Audit Engagement Partner) and Jason Liu (Client Manager) from Deloitte Touche Tohmatsu (Deloitte) entered the meeting.**

Ms Woods provided an overview of her report. She confirmed that the audit is now completed and Deloitte can now proceed to sign the financial statements. Ms Woods confirmed that:

- The City of Marion would receive an unqualified audit opinion for 2013/14 financial statements.

- The auditors did not note any issues regarding fraud (concerning an employee or management), there are no uncorrected misstatements or any uncorrected disclosure deficiencies in the financial statements.

The City of Marion would also receive an unqualified audit opinion with respect to the effectiveness of its internal financial control environment and Council's compliance with Section 125 of the Local Government Act.

Ms Woods provided comment on the following from the balance sheet:

- Infrastructure, Property, Plant and Equipment had been a focus area of the audit with reviews of:
  - Major project spend, and
  - The fair value of land, buildings and other assets assessed by Maloney Field Services.

Deloitte confirmed that fair value of assets was appropriately determined and disclosed.

- Equity accounted investments: noted that there was a significant mark down from Council's regional subsidiary, SRWRA mainly due to the decrease in valuation of the landfill site as a result of a change in zoning of the site since the previous valuation in 2008.

Ms Woods provided comment on the following from the details in the profit and loss statement:

- Rates Revenue was in line with expectations and Deloitte was also comfortable with the grant income received and its appropriate accounting treatment.
- Substantive detail testing occurred regarding expenditure including looking at a large number of invoices approved and assessed in line with policy requirements.
- Depreciation of fixed assets was analysed and no issues were noted in this area.

Deloitte presented their management letter noting the following six (6) matters:

#### **Grouping of fixed assets (recommendation 2.1)**

The Manager Finance advised that Finance will undertake a comprehensive review of Council's grouped assets and assess on a practical and material basis if individual assets records will be created in the Fixed Assets register from these groups.

The Audit Committee requested that the Asset Management Plans still in draft are consistent with this approach.

#### **IT Findings (recommendation 2.2, 2.3, 2.4, 2.5 and 2.6)**

The Committee noted that there were a number of findings that are common across businesses. Segregation of duties was noted and management confirmed that this recommendation is being progressed through the development of a segregation of duties matrix, further review of access privileges and authorisation levels.

Recommendations 2.3, 2.4, 2.5 and 2.6 relate to maintenance of the control environment. It was noted that the City of Marion has a high reliance on Civica for most of this work and the associated processes. The recommendations identified have been raised with Civica informally (subject to this report being endorsed) and they are looking at opportunities for improvement.

The Manager ICT provided assurance to the Committee that the recommendations are being addressed.

**ACTION: The Committee requested that Civica be requested to respond formally and their response be provided to the Committee to ensure it is actioned appropriately.**

Ms Woods highlighted that during the course of the audit the findings from the previous year's audit were assessed and the matters regarding fixed asset valuations and petty cash have now been completed.

The audit also included a review of the Council's internal controls required by section 125 of the *Local Government Act 1999*. It was noted that 247 internal controls were assessed and six (6) deficiencies were noted although these were not material. The deficiencies identified related to:

- Petty Cash Policy
- Conflict of interest forms for contract management
- Grant funding
- Fraud Risk Assessment
- Fraud Investigations
- Recording of revenue receipts – segregation of duties.

It was noted that all internal controls within the Better Practice Model (219) provided by the Local Government Association were assessed and in addition a further 28 voluntary governance controls added by the City of Marion were also assessed. The Committee noted that this was the first audit completed of the internal controls and would like to congratulate management and the auditors for a great result. The Committee requested that any recommendations from the internal control audit are consolidated with the other recommendations from the external audit for monitoring/reporting purposes.

The Committee proceeded to seek clarification on the following matters from the financial statements:

- Income (pg 49)  
The Committee noted that all user charges were lower than 2013. The Manager Finance advised that this was due to:
  - The Marion outdoor pool experiencing lower income due to the waterslide not being open for the 2013/14 summer.
  - Signatures Cafe is now operated by an independent operator and therefore Council no longer receives user revenue from this business.
- Physical Resources received free of charge (pg 51)  
It was noted that this section is based on circumstances of the relevant financial year. The figures recorded against roads, bridges and footpaths relate to the Oaklands wetlands.
- Loss on Disposal (pg 53)  
The Committee noted that the remaining written down value of \$262k was required to be written off in the 2014/15 financial year with the removal of the waterslide at the outdoor pool. The other significant item in the loss on disposal figure was a requirement for the re-classification of air conditioning equipment. On review of the Maloney property valuation it was discovered that the air conditioning equipment at certain buildings was componentized within the building valuation. These previously were separately classified as equipment so an adjustment was required to correct this.



- Debtors General (pg 54)  
The Committee noted a large decrease from 2013 which was primarily associated with two large outstanding amounts for grant funding in 2013 associated with the once off acquisition of land at Jervois Street and funding for the Oaklands Wetlands.

The Committee queried the amount outstanding for matters invoiced but not received. It was noted that only \$1k of bad debt had been written off. The Committee queried how this is monitored and was advised that management receive monthly debtors reports. The Committee requested that a report on the process and how it is managed be prepared for the Committee.

**ACTION – The Committee requested a report on debts (including debtors age and debt collection) be brought to the February 2015 meeting.**

- Infrastructure, property, plant and equipment (pg 56)  
The Committee queried why the at cost figure for 2013 was \$23m and decreased to \$16m for 2014. The Committee was unsure why it had fluctuated by \$7m during the re-evaluation process. The Committee was advised that the new additions for Land, Buildings and Other Infrastructure in 2013 totalling \$6.9m were included at costs in the 2013 valuation but are included in the fair value figures in 2014 as noted on page 56 .
- The Committee noted that some companies are looking at the estimated useful lives of their buildings and are reducing the traditionally older 50 year timeframes. The Committee advised that this may be something that can be looked at when reviewing the valuation of building in future years.
- The Committee noted that seeing the information regarding the valuation of buildings and infrastructure being reported as part of the audited financial statements is too late. It would be prudent for the Committee to consider a report in July each year so an informed discussion can occur prior to the audited statements being received. The Committee requested that this report be included in the work program for the Committee.

**ACTION: That an annual report on valuations of buildings and assets be included to the Audit Committee Work Program for July**

- Useful life (59)  
The useful lives are estimated for each individual asset. The Committee requested that this be reported with the valuations report requested for July. The Committee can therefore make a recommendation regarding the valuations and useful life rather than just providing an endorsement as part end of year accounts.
- Liabilities (pg 61)  
The Committee noted that loan costs have increased in 2014 due to \$9m loan funding taken out for the Cove Civic Centre. Council received this loan on 16 June 2014 to ensure a competitive rate was locked in for the Council. The rate received was better than forecast within the Long Term Financial Plan. It was noted by the Audit Committee that the large increase in provisions from 2013 (pg 61) is due to a change in accounting standards. The provision for employees annual leave was disclosed as part of accrued expenses in 2013 but is now required to be disclosed as 'provisions' from 2014 onwards.
- The Committee queried if the Elected Members were liable for the superannuation guarantee like other company board members and if the superannuation requirements were audited. It was noted that this wasn't applicable to local government and no

specific audit for superannuation was undertaken but it was considered as part of the external audit process.

- The Committee requested Management to consider if (in future report) further commentary could be added to better explain year on year changes to the accounts to provide a better understanding of the account as they are presented.

**Moved Mr Owens, Seconded Councillor Campbell** that the Audit Committee

1. Recommend to Council that the audited Annual Financial Statements for the year ended 30 June 2014, as attached at Appendices 1-4, be adopted.
2. Note Deloitte's management letter, as attached at Appendix 5

**Carried Unanimously**

#### **6.6 Meeting with External Auditors (in confidence) Report Reference: AC141014R6.6**

**Moved Mr Owens, Seconded Councillor Campbell** that pursuant to section 90(2) and (3)(e) and (g) of the *Local Government Act 1999*, the Audit Committee orders that all persons present with the exception of BDO representatives and Elected Members be excluded from the meeting as the Committee meets with Deloitte (external auditor) on the grounds it relates to matters affecting the security of the Council, members or employees of the Council or Council property or the safety of any person and in order to ensure that the Council does not breach any law, order or direction of a court or tribunal by law, any duty of confidence or other legal obligation or duty.

**Carried Unanimously**

#### **3.15 pm The meeting went into confidence and all staff present left the meeting.**

Discussion was held with Ms Penny Woods and Jason Liu from Deloitte. The auditors found the finance team well prepared and timely in their response to any questions raised. There were no issues in terms of working papers.

There was a significant amount of work required this year with the introduction of the new audit of the internal control environment. The auditors also complimented management on the quality of their work in this area.

They emphasized the importance of ensuring that the discretionary controls which were also required, continue to be improved to ensure improved quality, governance and IT performance.

The Audit Committee thanked Deloitte for their work and effort.

#### **3.22 pm The staff re-entered the meeting. Ms Woods and Mr Liu left the meeting.**

**6.3 Investment Performance 2013/14**  
**Report Reference: AC141014R6.3**

The Manager Finance provided an overview of the report highlighting that the annual return on investment had for the seventh year beaten the benchmark rate, however interest received decreased from last year due to impacts from funding required for major projects.

The Committee queried why the LGFA bonus received was high and it was noted that this is based not only on investments but also borrowings taken out with the LGFA. The Committee also noted that no term investments had been broken during this period.

**Moved Ms Cooper, Seconded Mr Owens** that the Audit Committee

1. Note the Investment Performance Report 2013/14.

**Carried Unanimously**

**Audit Committee Annual Report to Council 2013/14**  
**Report Reference: AC141014R6.9**

**Moved Mr Owens, Seconded Councillor Campbell** that the Audit Committee

1. Endorses the Annual Report to Council for 2013/14 provided at Appendix 1 to this report, subject to amendments as required, prior to being presented to Council at the 28 October 2014 General Council meeting.

**Carried Unanimously**

**6.4 Financial Indicators – Focus on Cash Flow and Funding**  
**Report Reference: AC141014R6.4**

This item was deferred to December 2014 Audit Committee Meeting.

**6.5 Savings Strategy – Further Discussion**  
**Report Reference: AC141014R6.5**

This item was deferred to December 2014 Audit Committee Meeting.

**6.7 Review Recommendations Update (Core Assurance and Service Reviews)**  
**Report Reference: AC141014R6.7**

This item was deferred to December 2014 Audit Committee Meeting.

**6.8 Core Assurance Health Check: Goods & Services Tax (GST) and Fringe Benefits Tax (FBT)**  
**Ref No: AC141014R6.8**

This item was deferred to December 2014 Audit Committee Meeting.

**Matters for Information or Noting**

The Chair thanked Councillor Campbell and those Elected Members who attended on a regular basis, for their contribution over the past 12 months. It was noted that this was the last Committee meeting before the local government elections held in November 2014 and a new Elected Member representative would be elected for the December 2014 meeting.

The Audit Committee wished those Elected Members present all the best with their futures.

**9. MEETING CLOSURE**

The meeting was declared closed at 3.30 pm

**10. NEXT MEETING**

The next meeting of the Audit Committee is scheduled to be held on:

**Time: 2.00 – 5.00pm**

**Date: Tuesday 16 December 2014**

**Venue: Chamber, Administration Building**

**CONFIRMED**

.....  
**CHAIRPERSON**

/ /

**CITY OF MARION  
AUDIT COMMITTEE MEETING  
16 DECEMBER 2014**

**Originating Officer:** Kate McKenzie, Manager Governance  
Councillor Tim Pfeiffer

**Subject:** Elected Member Representative Report to Audit Committee

**Report Reference:** AC161214R4.1

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**REPORT OBJECTIVE:**

As part of Council's governance obligations to the community, Council has constituted the Audit Committee to facilitate:

- Oversight of relevant activities to facilitate achieving the City of Marion's objectives in an efficient and orderly manner.
- Enhancing the credibility and objectivity of internal and external financial reporting.
- Effective management of risk and the protection of Council assets.
- Compliance with laws and regulations as well as use of best practice guidelines.
- The effectiveness of the program evaluation function and maintaining a reliable system of internal control.
- The provision of an effective means of communication between the external auditor, program evaluation service provider, management and Council.
- The City of Marion's ethical development.

Section 4.19 of the Audit Committee Policy states *"where the Council makes a decision relevant to the Audit Committees Terms of Reference, the Elected Member Representative will report the decision to the Audit Committee at the next Committee meeting and provide any relevant context"*.

**EXECUTIVE SUMMARY:**

Since the last Audit Committee meeting in October 2014 and due to the Local Government Elections, the Council has held three meetings being the 28 October, 25 November and 9 December. Caretaker provisions applied to the 28<sup>th</sup> October Council Meeting. Limited decisions have been made that relate to the Audit Committee Policy and Terms of Reference. Those matters identified include:

- **General Council Meeting – 28 October 2014**
  - Adopted the audited Annual Financial Statements for the year ended 30 June 2014
  - Noted the Investment Performance Report 2013/14, where Council earned \$792,841 of interest on its investments at an average rate of return of 3.32%, a favourable outcome compared to the benchmark indicator (average Reserve Bank cash rate) of 2.53%.

- **General Council Meeting – 9 December 2014**

- Council enter into a funding agreement with the Department of Planning Transport and Infrastructure to utilise a total of \$750,000 grant funding for various projects across the City of Marion.

**RECOMMENDATION (1)**

**DUE DATE**

**The Audit Committee note the report.**

**Dec 14**

**CITY OF MARION**  
**BUSINESS ARISING FROM AUDIT COMMITTEE MEETINGS**  
**AS AT 11 DECEMBER 2014**



	<b>Date of Meeting</b>	<b>Item</b>	<b>Responsible</b>	<b>Due Date</b>	<b>Status</b>	<b>Completed / Revised Due Date</b>
1.	11 February 2014	A status update be provided to the Committee on the progress and estimated completion date of the Asset Management Plans.	Manager, Strategic Assets	May 2014	It is still anticipated that the Asset Management Plans will be finalised by the end of 2014/15 financial year.	April 2014
2.	27 May 2014	<p>The Committee requested Management to advance consideration of the issues it had raised and to bring to the July meeting the necessary papers which outline a program of work to address its concerns. This will include the review of:</p> <ul style="list-style-type: none"> <li>• Further discussion regarding a budgeted savings target</li> <li>• Acquisition and Disposal Of Land Assets Policy</li> <li>• The Community Facilities Partnership Program Policy.</li> </ul>	<p>Manager Finance</p> <p>Director (Heather Montogomerie)</p>	<p>July 2014</p> <p>July 2014</p>	<p>Budgeted Savings Target Report is attached in item 6.6 of the agenda.</p> <p>The Acquisition and Disposal of Land Asset Policy and the Community Facilities Partnership Program Policy are being drafted in conjunction with the Asset Management Plans. The Asset Management Plans are nearing completion. These Policies will be presented in the new year with the Asset Management Plans.</p>	<p>Completed</p> <p>April 2015</p>

City of Marion  
Audit Committee Action Arising Statement as at 24 July 2014

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	Date of Meeting	Item	Responsible	Due Date	Status	Completed / Revised Due Date
2.	29 July 2014	As part of the review of core assurance and service reviews and the tender/contract arrangements, include options regarding the approach for selecting areas of focus for review.	Manager Organisational Excellence	March 2015	Tender is currently being planned for 2015.	
	14 October 2014	Civica be requested to respond formally to the audit recommendations and their response be provided to the Committee to ensure it is actioned appropriately.	Manager, ICT	June 2015	3 of the 5 recommendations are complete. The remaining recommendations are in progress. ICT continue with Civica to close out the matters raised. It is anticipated that these recommendations will be completed by June 2015.	
	14 October 2014	A report on debts (including debtors age and debt collection) be brought to the February 2015 meeting.	Manager, Finance	February 2015	This report will be prepared for the first audit committee meeting in 2015	
	14 October 2014	That an annual report on valuations of buildings and assets be included to the Audit Committee Work Program for July.	Manager, Governance	December 2014	This item has been placed on the work program for 2015. This report will be a joint report from finance and property.	Completed

\* completed items to be removed are shaded



SCHEDULE OF MEETINGS 2014			
Day	Date	Time	Venue
Tuesday	11 February 2014	3.00 – 6.00 pm	Administration Centre
Tuesday	15 April 2014	6.00 – 9.00 pm Council Rates Forum (Independent Members to attend if available)	Administration Centre
Tuesday	27 May 2014	2.00 – 5.00 pm	Administration Centre
Tuesday	29 July 2014	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council and the Strategic Directions Committee)	Administration Centre
Tuesday	14 October 2014	3.00 – 6.00 pm	Administration Centre
Tuesday	16 December 2014	2.00 – 5.00 pm	Administration Centre

**INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2014****TUESDAY, 11 February 2014**

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Business Plan and Budget, including Financial Indicator Ratios and Environmental Scanning – Prior to Community Consultation	Review and Feedback
Annual Review of OH&S Program	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Long Term Financial Plan – Half yearly update	Review and Feedback
Strategic Management Framework – Priority Criteria	Review and Feedback

**TUESDAY, 27 May 2014**

Topic	Action
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Engagement for the Year Ending 30 June 2014	Review and Recommendation to Council

Draft Annual Business Plan and Budget	Review and Feedback
Draft Long Term Financial Plan	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note

**TUESDAY, 29 July 2014**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Claims and Insurance Renewal Report	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Meeting with internal auditors in camera	Seeking feedback from Auditors

**TUESDAY, 14 October 2014**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Committee Annual Report to Council	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2014	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2014	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
Program Evaluation (Scopes and Reports)	Review and Notes
LGA MLS Risk Review	Review and Feedback
Investment Performance 2013/14	Noting

**Note: Council Elections to be held in November 2014, Audit Committee to be re-established.**

**Tuesday, 16 December 2014**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Feedback
Review of Corporate Risk Profile (deferred until April 14)	Review and Feedback
Work Program and Meeting Schedule 2015	Review and Feedback
Ombudsman SA Annual Report 2013-14	Review and Feedback

## CITY OF MARION

## AUDIT COMMITTEE IMPROVEMENT PLAN JULY 2013



	Identified Improvement Opportunity (Audit Committee Effectiveness Survey)	Identified Improvement Activity	Responsible Officer	Original Due Date	Revised Due Date	Status	Completed

The Committee agreed at its meeting of 29 July 2014 to completed/remove the remaining item from the improvement plan. There are currently no outstanding items on the Audit Committee Improvement Plan.

Page 20  
**CITY OF MARION**  
**AUDIT COMMITTEE MEETING**  
**16 December 2014**

**Originating Officer:** Ray Barnwell, Manager Finance  
**Director:** Vincent Mifsud, Director  
**Subject:** Financial Indicators – Summary Report  
**Report Reference:** AC161214R6.1

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**REPORT OBJECTIVES AND EXECUTIVE SUMMARY:**

The purpose of this report is to:-

- provide the Audit Committee with a simplified 'Overlay Report' that supersedes report "AC141014R6.4 Financial Indicators - Focus on Cash Flow and Funding" that was deferred from the Audit Committee's 14 October 2014 meeting.
- seek the Audit Committee's feedback on the recommended use of the following 3 key financial indicators in conjunction with Council's 'Cash Flow' and 'Funding' position for the year:-
  1. Working Capital Ratio (Quick Ratio)
  2. Debt Service Coverage Ratio
  3. Operating Cash Flow Coverage Ratio
- seek the Audit Committee's feedback on the recommendation that Council's financial sustainability target (of its Operating Surplus Ratio) be within the range of Category 2 to 3, where Category 2 is defined as an Operating Surplus of 5% to 15% and Category 3 being 0% to 5%.

The introduction of the "above" 3 key financial indicators are in addition to the financial ratios required under the Local Government (Financial Management) Regulations 2011. Whilst these Local Government indicators do act as broad financial sustainability ratios, they primarily serve the purpose of providing comparability between Councils in the State.

In order to provide useful information, analysis and a full perspective of Councils financial performance, it is imperative that each financial indicator not be considered in isolation, but rather in conjunction with each of the other indicators and Council's Cash Flow and Funding position for each year.

**RECOMMENDATIONS (2)**

**DUE DATES**

**That the Audit Committee provides feedback on:**

- |   |                    |
|---|--------------------|
| <b>1. the recommended introduction and use of 3 additional key financial indicators, being Working Capital Ratio, Debt Service Coverage Ratio and Operating Cash Flow Coverage Ratio, as an appropriate mechanism to compliment the monitoring and assessment of Council's Cash Flow and Funding positions and long term financial sustainability</b> | <b>16 Dec 2014</b> |
| <b>2. altering Council's financial sustainability target (of its Operating surplus Ratio) from Category 3 to being a range of Category 2 – 3, where the LGA defines Category 2 as being an Operating Surplus of 5% to 15% and Category 3 being 0% to 5%.</b>  | <b>16 Dec 2014</b> |

## BACKGROUND AND DISCUSSION:

A primary focus on Cash Flow and Funding is crucial to the success of any organisation. Regardless of how profitable an organisation is, or appears to be, if it is not generating positive cash flow it will not be able to meet its debts as and when they fall due and will most likely become financially unsustainable. The Cash Flow Statement is one of the most important financial documents of any organisation alongside the Operating Statement. Looking beyond the operating position to a focus on Cash Flow and Funding is particularly important for local government organisations which have significant capital requirements to renew and replace large stocks of existing assets in addition to funding capital expenditure on new and upgraded assets to meet community needs. In local government capital renewal of existing infrastructure is a key part of normal day to day operations and directly impacts Council's cash flow and funding position. The following three ratios are recommended, in conjunction with assessing Council's Cash Flow and Funding position, as providing a sound and prudent means to measure Council's ongoing financial performance and to provide greater understanding when considering the annual budgeting process.

### ***Indicator 1: Working Capital Ratio (Quick Ratio)***

[Current Assets – \(Less Restricted Assets\)](#)

[Current Liabilities – \(Liabilities Associated with Restricted Assets\)](#)

Proposed Target Range – Between 1.0 and 1.1

Working capital refers to the capital used to undertake day to day operations. It is represented by the difference between current assets and current liabilities and measures an organisation's ability to meet its short term obligations with its short term assets. It is a useful indicator of an organisation's short term cash flow position.

This recommended ratio has been modified from the commercial ratio, designed to focus on the liquidity position of a local government organisation, by adjusting for restricted assets (eg. unspent specific tied grants that would need to be excluded from Council's current assets as Council would be restricted from using this cash to meet short term liabilities).

### ***Indicator 2: Debt Service Coverage Ratio***

[Total Debt Service Costs \(Loan Principal & Interest Repayments\)](#)

[Rate Revenue](#)

Proposed Target Range – Average of between 0% and 5% over a rolling five year period.

This ratio is an indicator of Council's ability to service its borrowings (both interest and principal) from its expected rate revenue. It shows the portion of Council's rate revenue that is being used to repay debt including the servicing cost of interest on that debt.

### ***Indicator 3: Operating Cash Flow Coverage Ratio***

[Cash Flows from Operations – \(Loan Principal Repayments\)](#)

[Average Annual Optimal Level of Expenditure per Council's Asset Management Plans](#)

Proposed Target Range – Between 100% and 105% over a rolling five year period.

A key focus in monitoring Council's financial position is on cash flow and funding to ensure adequate funding is available to meet its operating requirements, renewal of existing assets over time and to maintain service standards provided to the community, without the need for significant

sudden rate increases or service reductions, and whilst continuing to maintain intergenerational equity and the sustainable and responsible use of borrowings.

A positive operating cash flow is vital to support ongoing operations. This ratio is significant because it shows the ability of an organisation to meet its short-term operating obligations, including debt, from operating cash flow.

## **CONCLUSION:**

The measurement and monitoring of Council's financial data through the use of relevant financial indicators is critically important in assessing and broadly understanding Council's financial performance. The introduction and assessment of the 3 key financial indicators recommended in this report (Working Capital Ratio, Debt Service Coverage Ratio and Operating Cash Flow Coverage Ratio), in conjunction with Council's Cash Flow and Funding position, will provide a very sound means to measure Council's ongoing financial performance

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**CITY OF MARION**  
**AUDIT COMMITTEE MEETING**  
**16 December 2014**

**Originating Officer:** Ray Barnwell, Manager Finance  
**Director:** Vincent Mifsud, Director  
**Subject:** Savings Strategy Discussion – Summary Report  
**Report Reference:** AC161214R6.2

---

**REPORT OBJECTIVES AND EXECUTIVE SUMMARY:**

The purpose of this report is to:-

- provide the Audit Committee with a simplified 'Overlay Report' that supersedes report "AC141014R6.5 - Savings Strategy – Further Discussion" that was deferred from the Audit Committee's 14 October 2014 meeting.
- seek the Audit Committee's feedback on the recommended approach outlined in this report in relation to an appropriate savings strategy and in particular how savings targets should best be incorporated into the annual budgeting process.

In the current financial climate our community are experiencing an increasing number of financial pressures. At its 27 May 2014 meeting the Audit Committee recommended that a further discussion take place around Council's approach to achieving ongoing savings and efficiencies in the development of its Annual Budget (AB).

At the Special General Council Meeting on 15 September 2014 Council resolved (SGC150914R01):

***“For the 2015/16 financial year Annual Business Plan and Budget preparations, consider a 5% savings option after having reviewed appropriate impact assessments.”***

The 2015/16 AB process has commenced with the objective of achieving this level of savings, with the budget being developed and set:-

- on the basis of a realised and legitimate savings amount having already been built into the budget, prior to its adoption by Council.
- in strict accordance with a “Zero Based” budgeting approach in line with Council's Budget Policy
- with appropriate rigour and robustness
- on the basis that these savings won't add risk to Council's operations or diminish core services
- taking into account the current economic environment (existing at the time) and the wishes of Council
- with the primary objective of recommending to Council that priority be given to these savings, in full or in part, being passed on to ratepayers in the form of a reduced rate, including consideration of a rate rise no greater than the Adelaide CPI for the 2015/16 financial year, whilst also ensuring long term financial sustainability

This approach aligns closely with the City of Marion's commitment to business excellence and long term sustainability. The approach may require a longer term commitment beyond 2015/16 to fully implement. Notwithstanding this requirement, there is opportunity to stage the process, ensuring highest priority areas and services are considered in the short term, progressing to all areas over a number of years.

**RECOMMENDATION (1)****DUE DATES**

**That the Audit Committee provides feedback on:**

- 1. the recommended approach outlined in this report in relation to an appropriate savings strategy and in particular how savings targets should best be incorporated into the annual budgeting process. 16 Dec 2014**

**BACKGROUND AND DISCUSSION:**

In seeking a strategy to deliver public value it is essential that Council challenges itself to obtain sustainable savings. The initial process for this will be in the development of the 2015/16 Annual Budget and further in the development of Council's Long Term Financial Plan (LTFP).

Council seeks to meet the communities strategic needs and deliver an optimal service level whilst ensuring this is achieved in a long term financially sustainable manner. Consideration of the annual budget will be undertaken in light of the priorities identified in Council's suite of strategic plans, including the Community Plan, Strategic Directions Report and Asset Management Plans. Achieving sustainable savings will enable Council to set a long term financial plan which not only achieves long term financial sustainability but also meets the community expectations and demonstrates Council's fiscal control in meeting future service needs which are within our ratepayers' financial capacity.

Council has commenced the process of developing its 2015/16 AB using a 'Zero Based' budgeting approach in accordance with its Budget Policy. This process will:-

- include seeking opportunities through work area planning to identify areas which may offer opportunities to deliver savings whilst maintaining existing service standards.
- enable management to identify key areas where 'mini service reviews' can be undertaken to help quickly identify and eradicate areas of inefficiency within the organization.
- identify and focus on achieving sustainable and responsible efficiency savings.

A series of Forums are planned for Elected Members in early 2015 with the purpose of providing financial data, information and modelling that will inform members of the outcomes and consequences of potential rating options. This will support members in making sound and well informed prudential decisions in the development of the 2015/16 Annual Business Plan & Budget (ABP&B), whilst ensuring a focus on maintaining Councils long term financial sustainability.

This will underpin the provision of a report to Council in March 2015, outlining opportunities for a low rating strategy, including financial modelling that will incorporate consideration of a rate rise no greater than the Adelaide CPI for the 2015/16 ABP&B, whilst also ensuring Council's long term financial sustainability and responsible use of community funds. In turn this will facilitate and inform the public consultation process that is legislatively required to be conducted, before Council can formally adopt the ABP&B.

**CONCLUSION:**

It is recommended that the setting of a specified savings target be included as a part of the development and setting of Council's ABP&B process, and that these be achieved up-front prior to the adoption of the ABP&B from realised savings through identified efficiency gains. The achievement of the desired savings target may also require consideration of the removal of actual services or a reduction in existing service standards. This will enable Council to continue to operate in a financially sustainable way and continue to maintain and develop our City to meet the needs and aspirations expressed by our community.



**CITY OF MARION  
AUDIT COMMITTEE MEETING  
16 December 2014**

**Originating Officer:** Heather Falckh, Manager Organisational Excellence

**Director:** Kathy Jarrett

**Subject:** Review Recommendations Update (Core Assurance and Service Reviews)

**Report Reference:** AC161214R6.3

---

**EXECUTIVE SUMMARY:**

The purpose of this report is to provide an update on the progress achieved against Council's Service Review and Core Assurance reviews.

**RECOMMENDATIONS (2)**

**DUE DATES**

**That the Audit Committee :**

- |   |                         |
|---|-------------------------|
| <b>1. Note the progress achieved against Council's Core Assurance and Service Review program.</b> | <b>16 December 2014</b> |
|---|-------------------------|

## **DISCUSSION:**

### Service Review & Audit Plan Update

Council's Service Review and Audit Plan, including the current status of each review, is included in Appendix 1. This plan and the priorities are being reviewed as a result of the Audit Committee's recommendation to pursue areas where there may be savings opportunities.

The Project Management report and Core Assurance Review on GST/FBT is now provided to the Audit Committee. The Contractor Management service review is progressing to plan and this report will be finalised in early 2015.

Two new project briefs are provided for feedback:

1. Grant Management
2. Funding to the Community

A new project brief is to be developed for a review of expenses, benefits and entitlements procedures for staff & Elected Members. This brief will be provided to the next Audit Committee meeting.

The Executive Management Group (EMG) has agreed to a breakdown list of work areas which will undergo Business Review and are in the process of assessing the priority of these. The Work Area Planning process is well progressed and opportunities for improvement and potential savings will feed into the Business Review process.

The BDO contract has been extended for up to 12 months to enable preparation of the tender for independent reviews. The tender brief is being finalised.

### Status of Improvement Actions from Previous Reviews

A relatively small number (~13%) of the improvement recommendations remain incomplete. There has been no change in status of recommendations since the last report to the Audit Committee.

All the actions outstanding are longer term projects and it is unlikely that movement will be seen between reporting periods.

## **CONCLUSION:**

The service review and core assurance process is in transition – both through the Work Area Planning, a review of the schedule of projects and through the development of a new tender brief for an external review provider.

The review program continues through this transition period with the assistance of BDO.



# Appendix 1

All updates are provided in bold text

S = Service Review

P = Core Assurance Review

No	Focus Area		Opportunities / Issues	Priority*	Timing	Link to Strategic Risks
1.	Project Management	P	<ul style="list-style-type: none"> <li>Effectiveness of strategies</li> <li>Adequacy of resources</li> <li>Links to strategic plans</li> <li>Cumulative risks</li> <li>Consistency of approach</li> <li>Culture / approach</li> </ul>	1	Draft report provided to the Audit Committee - December 2014	Yes (S5)
2.	FBT/GST Health Check	P	<ul style="list-style-type: none"> <li>The objective of this project is to identify any gaps and/or opportunities to improve and/or gaps in the effectiveness and efficiency of the City of Marion's (CoM's or council) processes for capturing, calculating, reporting and documenting its GST and FBT obligations.</li> <li>This project will assist the council to improve its processes to capture, calculate, report and document its GST and FBT obligations and mitigate any potential penalties for non-compliance with legislative requirements, and identify any potential reductions/savings in FBT.</li> </ul>	1	Report provided to the Audit Committee - deferred from October 2014 meeting.	Yes

No	Focus Area		Opportunities / Issues	Priority*	Timing	Link to Strategic Risks
3.	Contractor Management Systems	P	<ul style="list-style-type: none"> <li>Review process and controls in place post contract establishment to manage contractor performance</li> <li>Consider performance from a project delivery, cost, work health &amp; safety and environmental perspective</li> </ul>	1	Project well progressed. Project report to be provided 2015	Yes (S20)
4.	Grants Management	S	<ul style="list-style-type: none"> <li>Review of processes for applying for grants, management of funding and acquittal</li> </ul>	1	Project brief provided December 2014	Internal control self-assessment
5.	Funding provided to the community	S	<ul style="list-style-type: none"> <li>Community Grants</li> <li>Include donations and sponsorships</li> <li>Include distribution of Christmas hampers</li> </ul>	1	Project brief provided December 2014	Internal control self-assessment
6.	Expenses, Benefits & Entitlements Procedures	P	<ul style="list-style-type: none"> <li>Review benefits and entitlements during 2013/2014 financial year</li> <li>To include Elected Member &amp; staff benefits &amp; entitlements</li> </ul>	1	Review to commence early 2015	Yes (S12)
7.	Effective Use of Knowledge	S & P	<ul style="list-style-type: none"> <li>Consider systems in place to capture, use and communicate knowledge across the organisation</li> <li>Support and promote compliance with key policies and procedures</li> </ul>	1	This project is to be undertaken internally. Project retired.	Yes (S8, S10, S11 & S13)

No	Focus Area		Opportunities / Issues	Priority*	Timing	Link to Strategic Risks
8.	Service Quality	S	<ul style="list-style-type: none"> <li>Gaining and using knowledge of customers and markets to better meet customer needs</li> <li>Effective management of customer relationships including customer complaints</li> <li>Timeliness of service provision</li> </ul>	1	The project to develop a customer service framework is being undertaken internally. Project retired.	Yes (\$16)
9.	Relationship Management	P	<ul style="list-style-type: none"> <li>Strategies for managing key relationships</li> <li>Effectiveness of relationship management approach</li> <li>Include effectiveness of Media relations in scope of work</li> </ul>	3	Projects with savings potential to be prioritised	Yes (\$6)
10.	Building Ethics & Integrity	S & P	<ul style="list-style-type: none"> <li>Review processes in place to build ethical culture across the council (from recruitment to performance management)</li> <li>Consider the impact of the Independent Commission Against Corruption (ICAC)</li> </ul>	3	Projects with savings potential to be prioritised	Yes (\$12)
11.	Performance Measurement	P	<ul style="list-style-type: none"> <li>Performance measurement</li> <li>KPIs</li> <li>Performance management &amp; reporting</li> </ul>	3	To be incorporated into the review - Implementation of the Strategic Management Framework	Yes (\$7)

No	Focus Area		Opportunities / Issues	Priority*	Timing	Link to Strategic Risks
12.	Implementation of the Strategic Management Framework	S & P	<ul style="list-style-type: none"> <li>Review progress of implementation of the Strategic Management Framework across the council, particularly integration of planning at a strategic and operational level</li> <li>Consider accuracy, reliability and integrity of KPI monitoring process</li> </ul>	3	June 2015	Yes (S2, S3 & S4)
13.	Community Engagement	S	To be included in a review of Communications Unit	3	Projects with savings potential to be prioritised	Yes (S2, S3 & S4)
14.	Implementation of delegations		<ul style="list-style-type: none"> <li>Considers all delegations - Financial, HR &amp; legislative</li> </ul>	3	Projects with savings potential to be prioritised	Internal control self-assessment

**CITY OF MARION  
AUDIT COMMITTEE  
16 December 2014**

**Originating Officer:** David Harman – Financial Accountant  
Ray Barnwell – Manager Finance

**Director:** Vincent Mifusd

**Subject:** Core Assurance Health Check: Goods & Services Tax (GST) and Fringe Benefits Tax (FBT) (Deferred GC141014R6.8)

**Ref No:** AC161214R6.4

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**EXECUTIVE SUMMARY:**

An independent review of Council's Goods & Services Tax and Fringe Benefits Tax has been completed by BDO as part of Council's core assurance review program. The objectives of the review were to identify any gaps and/or opportunities to improve the effectiveness and efficiency of Council's processes for capturing, calculating, reporting and documenting its obligations in relation to these areas.

The review identified that the City of Marion (CoM) has adequate controls over GST and FBT processes and is demonstrating good practice in many areas.

Areas identified for improvement in regards to GST compliance are as follows:

- Staff Tax Education training
- Documentation of procedures for preparation of monthly Business Activity Statements
- Monitoring changes with fees and charges
- Improving staff understanding of compliant invoices
- Processing of internal invoices

Areas identified for improvement in regards to FBT are as follows:

- Compliance for Dual Cab Vehicles
- Monitoring Star Awards
- Use of Council Assets Policy and Procedure

The risks associated with the identified areas for improvement were all rated as low and the report includes detailed discussion of the processes requiring improvement; recommended actions and timeframes.

**RECOMMENDATIONS (1):**

**That the Audit Committee provide feedback on the outcomes of the following Health Check project:**

- Goods & Services Tax and Fringe Benefits Tax



## **DISCUSSION:**

The organisation has responsibility for ensuring the CoM complies with relevant GST and FBT legislation. Several processes have been designed to ensure compliance including simple training guides and a high-level “education” program for management and staff.

The Australian Tax Office (ATO) performs regular GST and FBT audits to ensure compliance with legislation. CoM was previously audited for GST in 2001 and 2002 and performed well.

As part of the Organisation’s commitment to continuous improvement BDO have worked with the CoM Finance Team to identify potential gaps and/or areas for improvement. In the case of GST and FBT, this review was conducted to ensure current processes and procedures comply with legislation and follow ATO good practice standards and guidelines.

The review identified a number of areas where CoM was demonstrating good practices as well as areas for improvement.

Appendix 1 provides the full BDO report for the GST and FBT Health Check.

## **CONCLUSION**

The GST and FBT Health Check is a valuable review which assures the organisation is complying with its legislative requirements, confirms areas of good practice and identifies areas where the organisation can further improve processes and controls. The recommended actions in the report will be actioned by the Finance team to further improve the organisation’s performance in this area of taxation.



# City of Marion

'We help  
make Marion'



Goods & Services Tax (GST) and Fringe Benefits Tax (FBT)  
Health Check

October 2014

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## 1. EXECUTIVE SUMMARY

### 1.1 Project Objective

The objective of this project was to identify any gaps and/or opportunities to improve the effectiveness and efficiency of the City of Marion's (CoM's or council) processes for capturing, calculating, reporting and documenting its GST and FBT obligations.

### 1.2 Project Scope

The Finance Team have responsibility for ensuring the CoM complies with relevant GST and FBT legislation. Several processes have been designed to ensure compliance including simple training guides and a high-level "education" program for management and staff.

The Australian Tax Office (ATO) performs regular GST and FBT audits to ensure compliance with legislation. CoM was previously audited for GST in 2001 and 2002 and performed well. Historically these audits have been educative rather than punitive in nature however we understand that this is no longer the case.

As part of the Finance Teams continuous improvement process BDO have worked with the CoM Finance Team to identify potential gaps and/or areas for improvement. In the case of GST and FBT, this review was conducted to ensure current processes and procedures are in compliance with legislation. Based on discussion with the Finance Team, we have developed a 3 phase approach to this project:

**Phase 1** of the project was undertaken by:

- meeting with key Finance Team management and staff members to gain an understanding of the framework and processes in place to ensure GST and FBT compliance
- analysing any documentation in place to support current compliance processes including for example, policies, procedures, guidelines and/or training materials
- using high level process maps to document the framework and processes in place to ensure CoM's compliance with GST and FBT legislation.

**Phase 2** of the project was undertaken by:

- comparing CoM's framework and processes to ensure GST and FBT compliance to our understanding of legislative requirements
- identifying any gaps and/or improvement opportunities in the current framework and processes
- perform a high-level prioritisation (based on risk) of key gaps and/or improvement opportunities identified.

**Phase 3** -During this phase we:

- agreed with CoM management any potential deliverables based off of identified improvement opportunities in phase 2
- prepared an Assurance Report summarising the results of our work and the Agreed Actions to address any control/process improvement areas identified.

### 1.3 Disclaimer

BDO limited the procedures performed during this assurance project to inquiries of relevant personnel, inspection of evidence and observation of, and enquiry about, the operation of the control procedures for a small number of transactions or events. Our procedures are designed to provide a limited level of assurance in relation to the areas included within the project brief. An assurance project does not provide all of the evidence that would be required in an audit. An audit opinion is not expressed in this report.

The matters raised in this report are only those that came to our attention during the course of performing our procedures and may not necessarily be a comprehensive statement of all the weaknesses that may exist or improvements that might be made.

We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, comply with laws and regulations and avoid fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures reviewed, or potential instances of fraud that may exist.

Our report is prepared solely for the internal use of City of Marion. No responsibility to any third party shall be accepted, as our report has not been prepared, and is not intended, for any other purpose. The responsibility for determining the adequacy or otherwise of the procedures performed by BDO is that of City of Marion management and the procedures performed are solely to assist you in assessing the processes reviewed by BDO.

City of Marion should assess management actions for their full commercial impact before they are implemented.

### 1.3 Good Practices Observed

Throughout this Core Assurance project we compared City of Marion's FBT and GST processes to our knowledge and understanding of ATO guidance and good business practice. The following good practices were observed during the project.

Observations	
Knowledge & Expertise of Finance Team	<p>The CoM has an established Finance Team with knowledge and experience to ensure FBT &amp; GST implications are considered and treated as per the relevant legislation.</p> <p>This is a key factor in reducing any risk associated with GST &amp; FBT and the team interviewed during the process of this review exhibited an extremely high level of technical and practical understanding of both FBT and GST requirements.</p>
GST on invoices	Process of referring an invoice to a senior member of the Finance Team when GST does not equal 10% or transaction is GST free.
Motor vehicles	Established policies and processes clearly outline City of Marion and employee obligations when they are provided with a vehicle.
Entertainment	Checklist for entertainment is used to mitigate exposure with regard to entertainment fringe benefits.
GST - Fees & Charges Schedule	The Fees & Charges Schedule for GST purposes is detailed and provides correct guidance on the application of GST to council supplies.

### 1.4 Change in FBT Rate

City of Marion has noted that on 28 May 2013 legislation was passed by the Federal Government confirming changes to FBT due to the introduction of the National Disability Insurance Scheme ("NDIS"). The NDIS is being funded by way of a 0.5% increase in the Medicare Levy since 1 July 2014. This had the following impacts:

The Medicare Levy Rate has changed from 1.5% to 2.0% on 1 July 2014

The Highest Individual Marginal Tax rate remains the same at 45%

The FBT rate is a result of the Highest Individual Marginal Tax rate being combined with the Medicare Levy rate

Consequently, the previous FBT rate of 46.5% has increased from 1 April 2014 to 47%.

The Federal Government released the 2014/2015 Federal Budget on 13 May 2014 which proposed to introduce a 2% "Temporary Budget Repaid Levy" (or "debt levy") for those individuals earning over \$180,000. This debt levy became law on 25 June 2014 and applies from 1 July 2014. As this impacts the highest marginal rate of tax, the FBT rates will increase again from 1 April 2015. The debt levy of 2% will be in place for two years after which time the levy is planned to be abolished and the rates will revert back to those used for the 2014/2015 FBT year.

The table below summarises the changes in FBT rate and gross-up rates:

FBT Year	Type 1 rate	Type 2 Rate	FBT rate %
2013/2014	2.0647	1.8692	47
2014/2015	2.0802	1.8868	47
2015/2016	2.1463	1.9608	49
2016/2017	2.1463	1.9608	49
2017/2018	2.0802	1.8868	47

## 1.5 Key Findings and Observations

The Core Assurance review identified that the CoM has adequate controls over GST and FBT processes.

The following table provides a summary of our recommended actions. For further information refer to the Detailed Findings following, and Appendix 2 for documents considered and stakeholders consulted during the Core Assurance project.

Each key finding is prioritised (rated) based on their impact to the process considered (refer to Appendix 3 for the framework for Core Assurance ratings).

Ref #	Description of assurance findings and recommended actions	Rating of assurance findings
GST Compliance		
2.1	Increase Tax Education Training	Low
2.2	Develop documented procedures for the Preparation of Monthly Business Activity Statements	Low
2.3	Monitoring Changes Under Division 81	Low
2.4	Understanding Compliant Invoices	Low
2.5	Processing Internal Invoices	Low
FBT Compliance		
2.6	Compliance for Dual Cab Vehicles	Low
2.7	Monitoring Star Awards	Low
2.8	Use of Council Assets Policy and Procedure	Low



## 2. DETAILED FINDINGS AND AGREED ACTIONS

### Finding 2.1 Increase Tax Education & Training

Risk rating:

Low

#### Finding:

Based on our discussions with staff at City of Marion there are two areas whereby staff could obtain additional tax education and/or training, these are:

- through Finance Team meetings
- at sites that issue tax invoices outside the finance division.

Currently there are regular Finance Team meetings taking place. However it has been indicated that GST compliance and changes in GST legislation or ATO Rulings that affect City of Marion are not a regular agenda item, only being discussed when deemed necessary.

Some sites at the City of Marion issue their own tax invoices outside of Finance Team. This means that the sites will need to determine the GST treatment of the supply and calculate the GST.

#### Risk/impact to Business:

There are a number of risks and impacts that the above could bring to City of Marion:

- supplies are treated incorrectly (i.e. GST-free when they are taxable) which could result in GST being over or under reported
- GST may not be calculated correctly on an amount; amounts quoted must include GST
- staff may not be aware of changes in legislation and may not pick up errors in invoices sent out and received.

#### Recommendation Action:

We recommend that City of Marion should consider the following action:

- education and training on the fees & charges schedule for anyone issuing invoices
- continue ensuring that any invoice which has not had GST charged or GST does not equal 10% is reviewed by senior members of the finance team
- standard invoice template for all systems that run within the City of Marion
- allow external sites access to authority for data entry and have the Finance Department produce all invoices.

Likelihood:

Consequence:

Low

#### Management Comment:

Management are currently investigating the ability to lock down access within the Authority invoicing module before allowing other departments access. This will ensure a standard template is used across council. In the interim current processes will remain in place and education and training will be conducted via Financial Awareness Training sessions.

#### Responsibility:

Financial Accountant, Manager Finance

#### Target Date:

Ongoing

**Finding 2.2 Procedure Development for the Preparation of Monthly Business Activity Statements**

Risk rating:

Low

**Finding:**

Discussions with staff at City of Marion found that there are currently no written procedures for the preparation of the Monthly Business Activity Statements (BAS).

**Risk/impact to Business:**

Lack of standard operating procedures could potentially result in errors to occur when someone unfamiliar with the BAS process is required to complete it that month. Further when the process is given to a new finance team member a documented procedure would enable efficient and accurate learning of the BAS preparation.

**Recommendation Action:**

We recommend that City of Marion develops written procedures for the monthly BAS process to ensure that staff who may need to perform the function can do so correctly with minimal assistance.

**Likelihood:****Impact:**

Low

**Management Comment:**

Existing procedures to be documented

**Responsibility:**

Financial Accountant

**Target Date:**

30<sup>th</sup> December 2014

**Finding 2.3 Monitoring changes under Division 81****Risk rating:****Low****Finding:**

From 1 July 2013, a self-assessment system has been in place regarding the GST treatment of fees and charges levied by the Council. Previously a Treasurer's Determination was issued which detailed the GST treatment.

City of Marion has a "Fees & Charges Schedule" which details all charges that may be levied by the Council and the corresponding GST treatment for each. Our review of the Fees & Charges Schedule found that it was accurate and sound in its representation of fees and charges.

**Risk/impact to Business:**

Whenever new fees and charges are introduced there is a risk that these are not incorporated into the fees schedule with the appropriate GST treatment.

**Recommendation Action:**

Ensure there is a process to keep up to date with any new fees and charges and that these are incorporated in the fee schedule. Should City of Marion be unclear as to the GST treatment of any fees and charges then advice should be sought.

**Likelihood:****Impact:****Low****Management Comment:**

The Fees and Charges schedule will continue to be reviewed by administration and adopted by Council annually.

Manager Finance is a member of the Fees and Charges working group within the South Australian Local Government Finance Managers Group and external advice will continue to be sought via this group as and when required.

**Responsibility:**

Management Accountant, Manager Finance

**Target Date:**

Ongoing

**Finding 2.4 Understanding Compliant Invoices****Risk rating:**

Low

**Finding:**

It is the responsibility of the City of Marion to ensure that they have a valid tax invoice. Currently Accounts Payable (AP) checks every Australian Business Number (ABN) against the Australian Business Register (ABR) which is time consuming. This is not necessary. The 'payer' should be ensuring the document looks "reasonable" and should be on the look-out for unusual ABNs (such as consecutive numbers or too many/few digits) but they are not required by law to check every ABN.

**Risk/impact to Business:**

There are no tax implications for the City of Marion however the current process indicates an inefficient use of resources.

**Recommendation Action:**

Ensure AP staff know how to consider at a glance that an ABN is reasonable and have them cease checking and verifying each every ABN [refer to appendix 4].

**Likelihood:****Impact:**

Low

**Management Comment:**

Clear instructions on requirements will be distributed to Accounts Payable staff as per Appendix 4. (Checking an ABN).

**Responsibility:**

Financial Co-ordinator.

**Target Date:**

31<sup>st</sup> October 2014

**Finding 2.5 Processing Internal Invoices****Risk rating:**

Low

**Finding:**

Discussion with City of Marion staff indicated that when departments within council wish to charge each other for resources then an internal invoice is generated and processed between departments. Such a process can cause confusion over whether or not GST should be charged. Internal invoices should not have GST allocated to them as it is an internal transfer within CoM and any GST credits or debits raised will offset each other.

**Risk/impact to Business:**

There is a risk that when invoices are raised between departments some invoices will have a GST component on them and some will not. If this is the case then this will be included as a component within the BAS as either a GST Payable or Receivable.

**Recommendation Action:**

Ensure that all internal charges are done by way of journal entry through the Finance Team and not by issuing an internal invoice.

**Likelihood:****Consequence:**

Low

**Management Comment:**

Internal invoicing practices have since ceased with all internal transfers done by way of journal entry.

**Responsibility:**

Financial Accountant, Management Accountant

**Target Date:**

Already complete

**Finding 2.6 Compliance for Dual Cab Vehicles**
**Risk rating:**
**Low**
**Finding:**

A dual cab utility vehicle that is designed to carry a load of more than one tonne is not a “car” by definition and therefore is not considered to be the provision of a car fringe benefit; it is a residual fringe benefit. Section 47(6) exempts from FBT the provision of a motor vehicle that is not a car providing there is no private use other than:

- travel between home and work
- travel that is incidental to travel in the course of duties of employment
- non-work related use that is minor, infrequent or irregular.

It is the obligation of the City of Marion to prove the dual cab satisfies the criteria as it is the City of Marion that calculates the FBT. This would be difficult to prove without the use of log books or declarations.

It is our understanding that the City of Marion does not require their employees to complete declarations relating to private use or log books for the use of dual cab utes. There is an odometer reading declaration that employees are required to complete for each FBT year however this does not include a declaration that each **employee** who holds a dual cab is required to sign to declare the items noted above.

Should the ATO perform an audit, the City of Marion should have documentation on hand to prove the position taken with any dual cabs provided.

**Risk/impact to Business:**

FBT may not be recorded and paid on dual cabs or other “non-cars” which have private use which exceeds “minor, infrequent and irregular”.

**Recommendation Action:**

Implement a process to obtain signed declarations for employees who have a dual cab which state that any private use is Nil [Refer to appendix 4].

Educate dual cab vehicle drivers to understand the financial implications of using the dual cab for private purposes [Refer to appendix 4].

Where a dual cab is provided have employees keep a log book for 12 weeks.

**Likelihood:**
**Impact:**
**Low**
**Management Comment:**

No Private Use declaration for Dual Cab Utes as per Appendix 4 to be implemented

**Responsibility:**

Financial Accountant

**Target Date:**

31<sup>st</sup> March 2015

**Finding 2.7 Monitoring Star Awards****Risk rating:**

Low

**Finding:**

The STAR program is to recognise behaviour that is desired by the City of Marion.

Employees who are nominated through the STAR program shall receive a certificate of recognition from the Chief Executive Officer and an award as outlined below:

- \$30 individual
- \$70 team

Should there be multiple nominations received within the calendar month the nominations will be combined on to one certificate with the maximum amount an individual is eligible to receive being \$50, which may be made up of \$30 voucher of the employee's choice and a \$20 standard voucher (e.g. Coles/Myer). The maximum amount a team will receive will be \$100.

**Risk/impact to Business:**

Should an employee receive the STAR award regularly the minor and infrequent exemption may not be available.

**Recommendation Action:**

We recommend that the City of Marion should continually review the frequency of the awards. If employees received one or two a year, the exemption should be satisfied, if it is more frequent that then the exemption may be lost.

**Likelihood:****Impact:**

Low

**Management Comment:**

Administration will continue to review frequency of the awards program to ensure compliance with minor and infrequent classification.

**Responsibility:**

Financial Accountant, Assistant Accountant

**Target Date:**

Ongoing

**Finding 2.8 Use of Council Assets Policy****Risk rating:****Low****Finding:**

Throughout the course of this review, it has come to the attention of the Finance team that there is a Procedure in place for “Borrowing/Use of Council Tools & Equipment”. This Procedure outlines the types of tools and equipment which can be borrowed including hand held tools and small plant. While there is a procedure for the use of council assets there is currently no policy for the use of council assets.

Where council staff use City of Marion assets for personal purposes, a residual fringe benefit arises. In this instance it is likely to be an external residual fringe benefit.

The taxable value of an external residual fringe benefit is calculated as the amount the employee could reasonably be expected to have been required to pay to obtain the benefit under an arm’s length transaction (effectively, market value) less any amount paid by the employee.

The minor, infrequent and irregular exemption can be used to exempt the benefit where the value is below \$300.

**Risk/impact to Business:**

If employees take home council assets for personal use, a residual fringe benefit will arise.

**Recommendation Action:**

We recommend that City of Marion develop and formalise a policy for the use of council assets or to ensure that staff do not use council assets. Such a policy should be communicated to staff to ensure that everyone is aware of the City of Marion’s stance.

In addition we also recommend that a process be implemented whereby when approval is granted for the use of council assets, the approval is sent to the Finance team to enable them to assess the value of the benefit or possible exemption and for it to be captured for FBT purposes.

**Likelihood:****Impact:****Low****Management Comment:**

Policy to be reviewed and approved on a regular basis with estimated values included.

**Responsibility:**

Financial Accountant, Unit Manager Operational Support

**Target Date:**

31<sup>st</sup> December 2014



### 3. Other Observations

#### Statutory formula phase-in rates

On 10 May 2011, a flat statutory rate of 20% was announced for the calculation of the taxable value of car fringe benefits using the statutory method. This announced change was subject to a transitional phase-in. From 1 April 2014, the transitional rules end and the flat statutory percentage of 20% is to be used, regardless of the kilometres driven throughout the year. Council have implemented this appropriately over the transition period.

For cars that have a high percentage of business use, it may be prudent for the council to consider having staff maintain a log book. Where business use of a vehicle is minimal, the statutory method will still most likely result in the lowest taxable value.

#### Employee Benefits and Awards

After a review of the general ledger of this account, there are a number of fringe benefits provided to staff classified within it.

This account is reviewed each year against budget as many and varied amounts are coded to this account.

Amounts which are easily identifiable as fringe benefits:

Goodlife group fitness classes - in previous years these have been treated correctly as a fringe benefit

Star awards - refer to the FBT issues log

Meal entertainment - Our understanding is that the meal is included in the FBT calculation and a review of the meal entertainment calculation spreadsheet shows that a significant number of expenses from this account are included in the FBT calculation.

#### Think safe live well

The seminars contained in this account should not be subject to FBT as they would be considered minor, infrequent and irregular however the weight watchers is a fringe benefit and in the past has been correctly recognised as a fringe benefit.

#### Mobile phone calls

Where council provides a mobile phone to an employee, any private use of the phone is to be reimbursed to Council. This operates as an “honesty” system however; there is a monthly report provided to CMG to ensure that all staff are reimbursing all private use. Where private calls are paid by Council an expense payment fringe benefit arises.

To mitigate any exposure for the council with regards to this, we suggest that all staff who receives a mobile phone sign a declaration each stating that either their phone has no private use or that they have reimbursed all private use.

#### Bring your own device

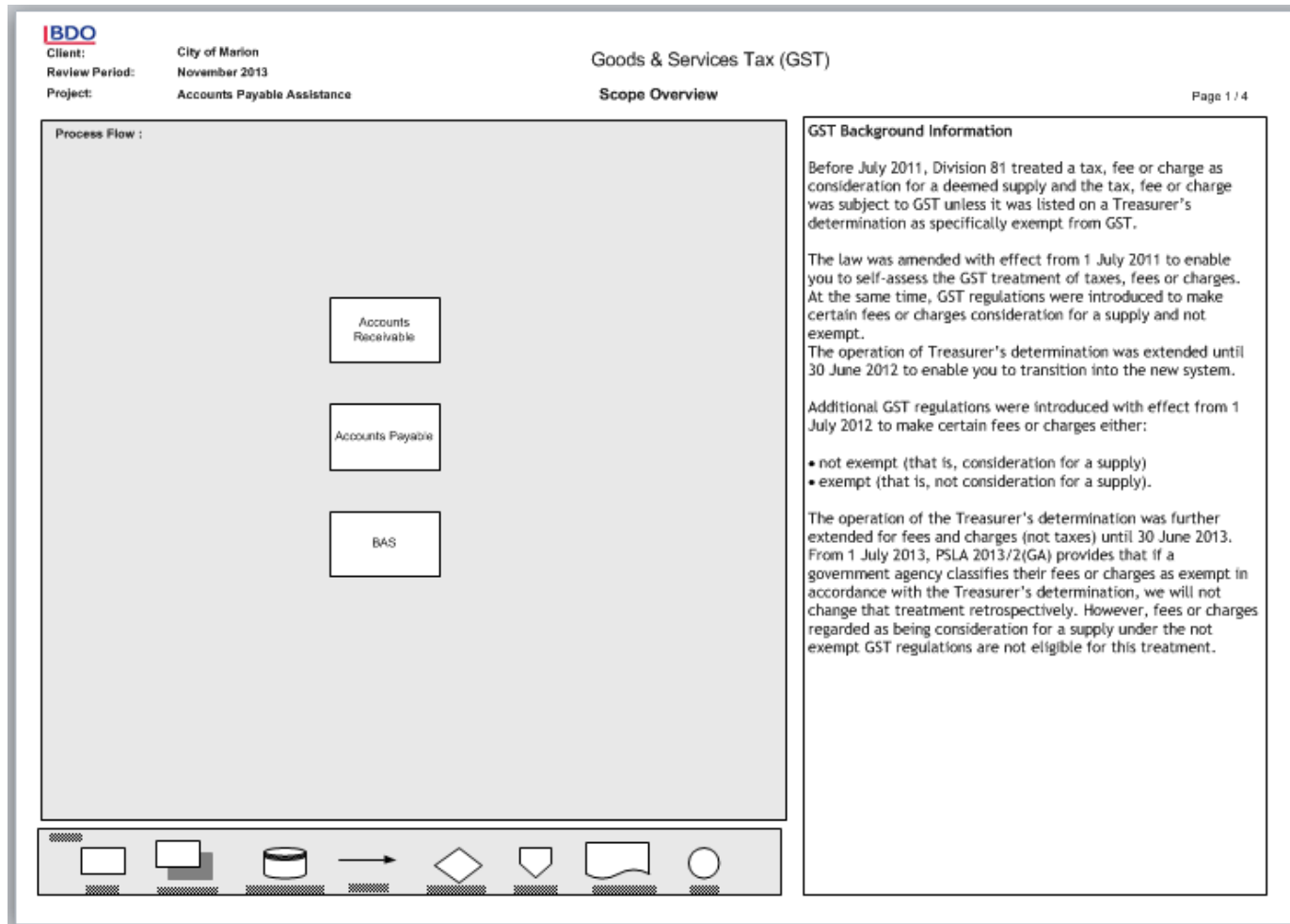
All costs in relation to “devices” such as iPads or tablets are incurred by employees and therefore there is no FBT exposure to council. Council pays for security software which is installed on each device. This is not subject to FBT and has been treated correctly for FBT purposes.

# Appendix 1

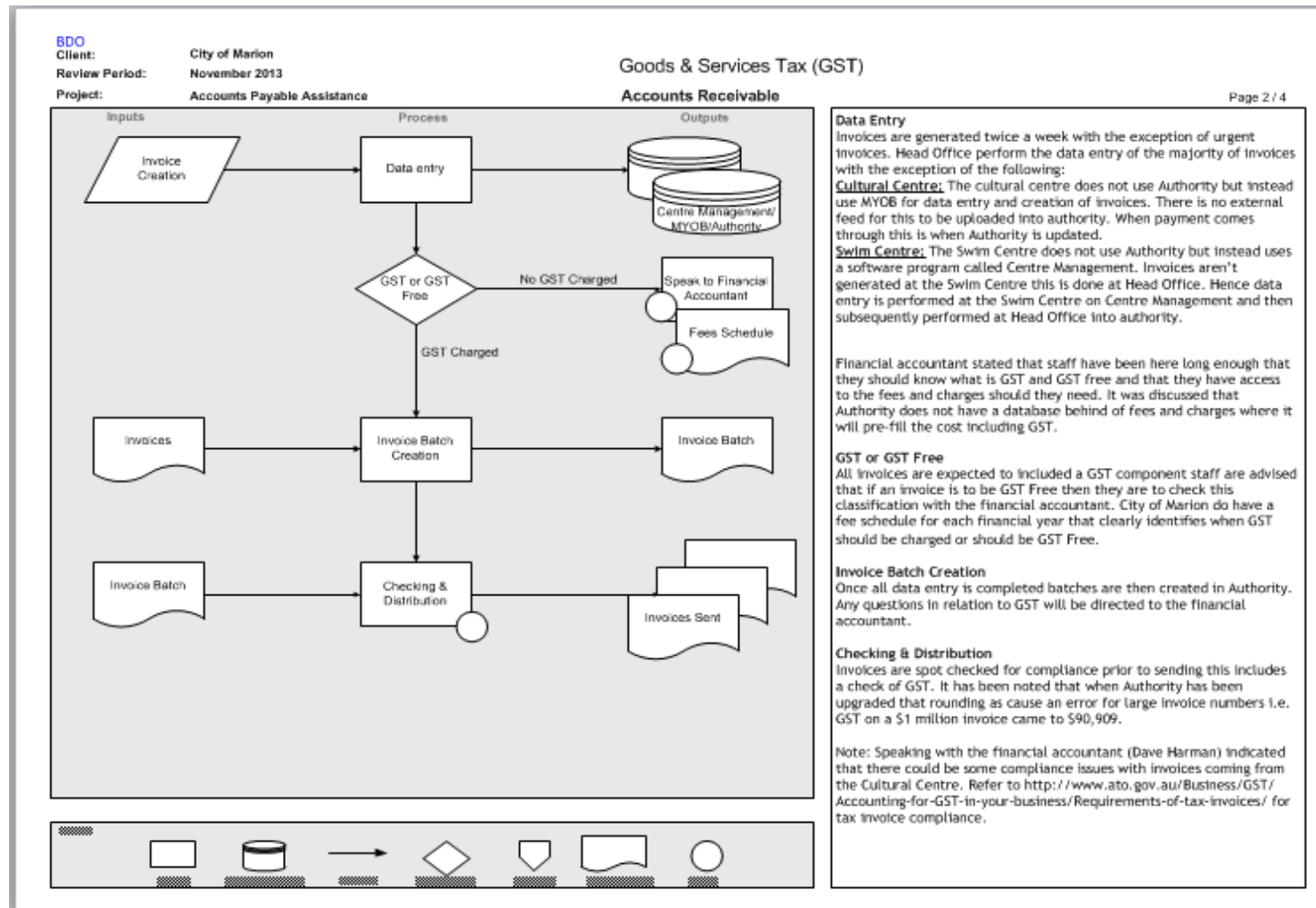
Process Flows

## GST PROCESS FLOW

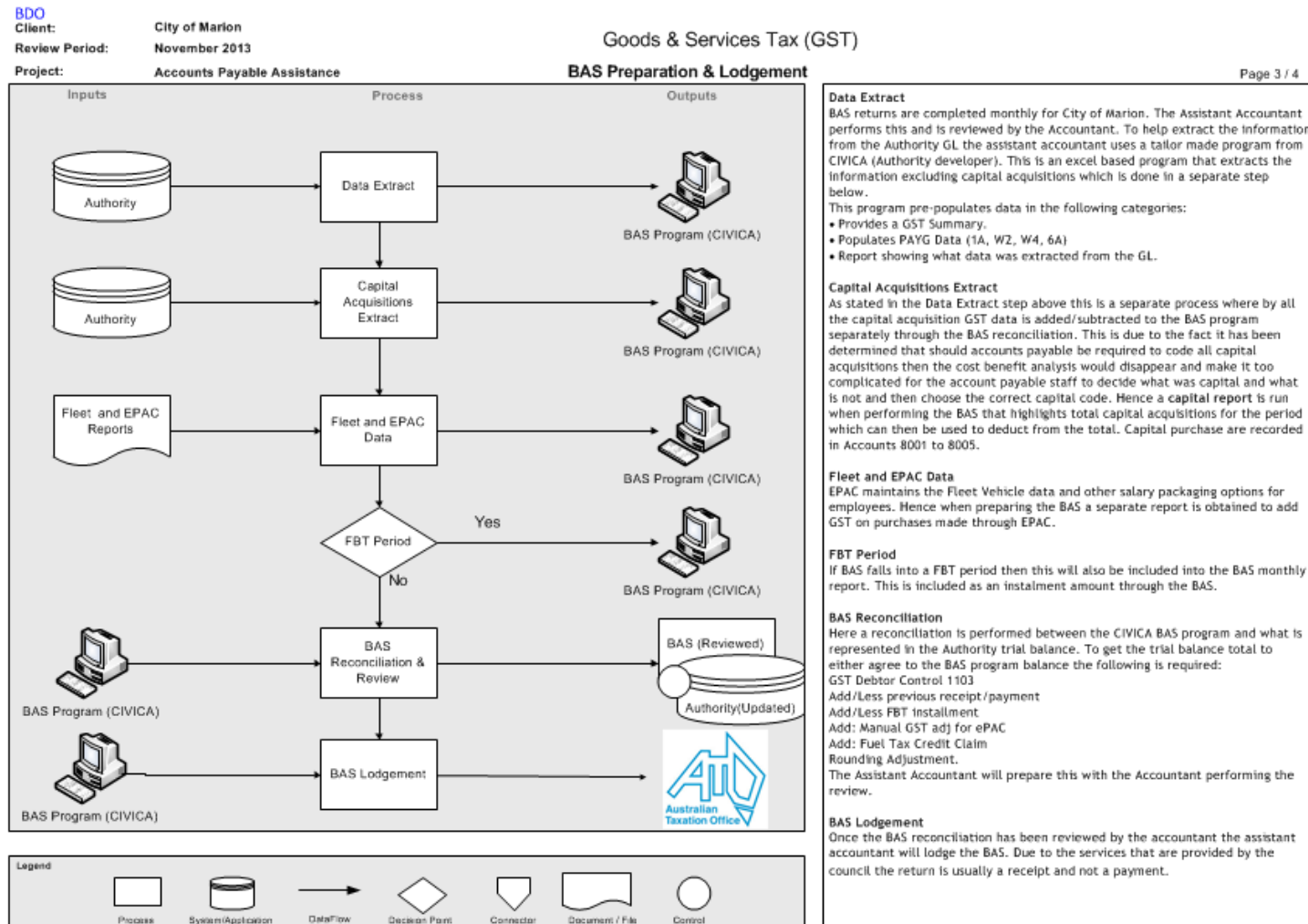
### Scope Overview



## Account Receivables



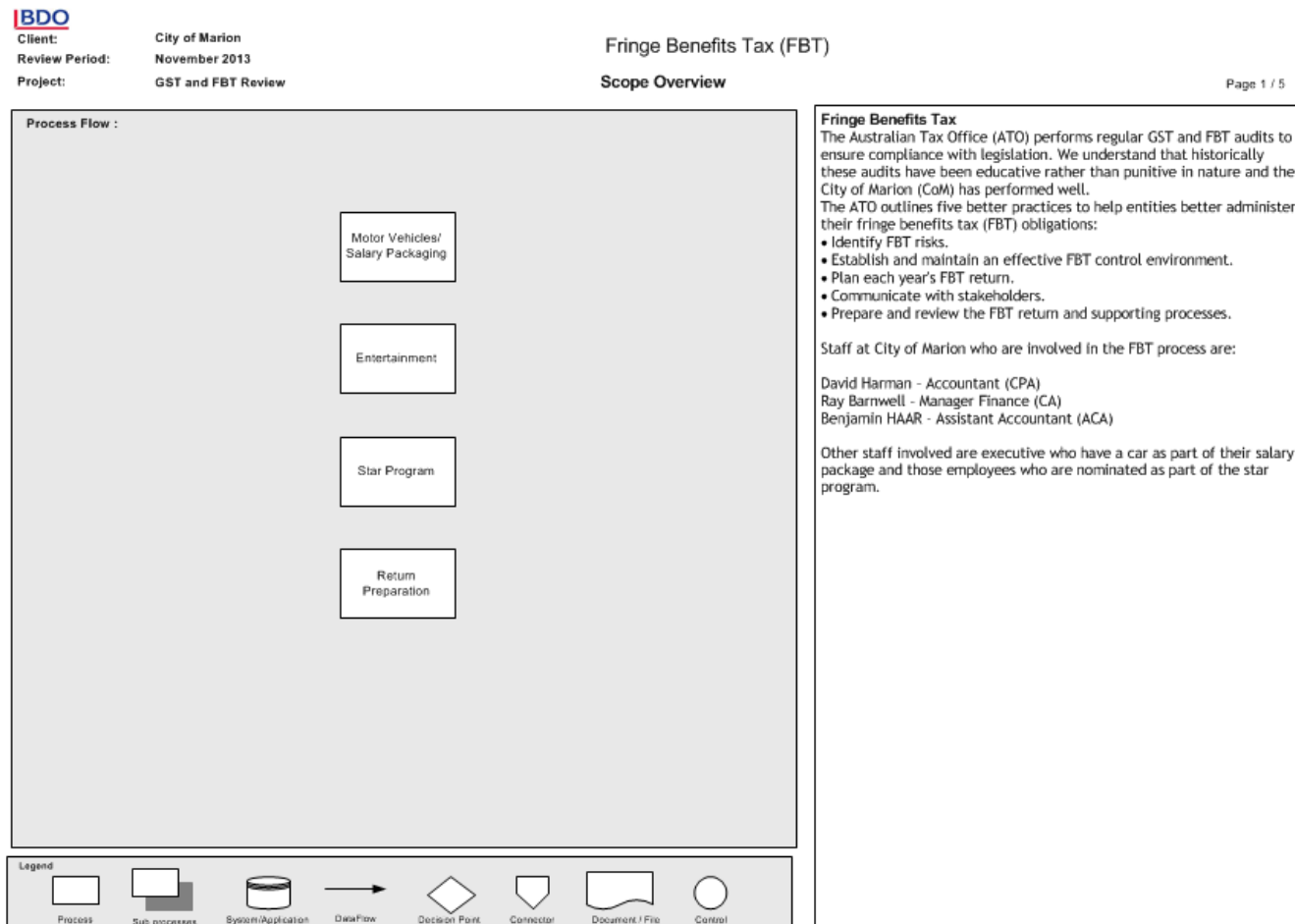
## BAS Preparation & lodgement



## Accounts Payable Process

## FBT PROCESS FLOW

### Scope Overview



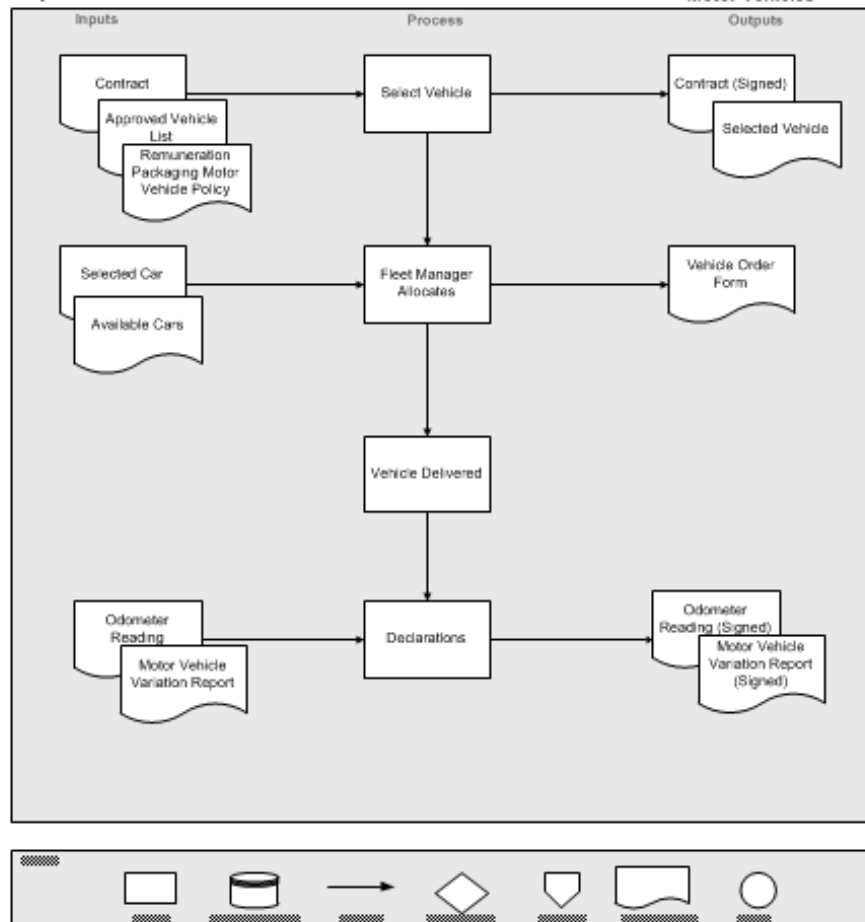
## Motor Vehicles

BDO  
Client: City of Marion  
Review Period: November 2013  
Project: GST & FBT Review

### Fringe Benefits Tax (FBT)

#### Motor Vehicles

Page 2 / 5



#### Select Vehicle

When an employee who is able to have a car as part of their salary package their contract will include the following disclaimer:  
Unrestricted Private Use - After 6 months your choice of vehicle can be made from page numbers 6-7 of the attached Remuneration Packaging Motor Vehicles Policy. The motor vehicle will be available for unrestricted private use in accordance with council's Salary Packaging - Motor Vehicles Policy.

Based on the employee's level this will determine which vehicle they can choose from appendix 1 to the policy. Once a selection is made this is provided to the Fleet Manager. Employees allocated vehicles under Unrestricted and Limited private use categories will not be entitled to Rostered Day Off (RDO), Overtime, Time in Lieu or Allowances.

Note: An employee's contract does not outline the affect having a car packaged into a person's salary package i.e. FBT implications and hence council employees will contact finance at the end of the financial year enquiring about this in their group certificate.

#### Fleet Manager Allocates

The fleet manager will provide an employee a vehicle based on whether or not there are any available vehicles within the City of Marion fleet. If there is an available car then the employee will be Provided with this vehicle. The FBT value will be adjusted on the employee's group certificate. If there is no vehicle in the fleet then the car selected by the employee will be ordered based on what is available to them in the Remuneration Packaging Motor Vehicle Policy.

Currently there is no exemption form for an employee to make a business case for a vehicle outside of appendix 1 of the Remuneration Packaging Motor Vehicle Policy.

#### Vehicle Delivered

The Fleet Manager collects the vehicles and delivers them to the council.

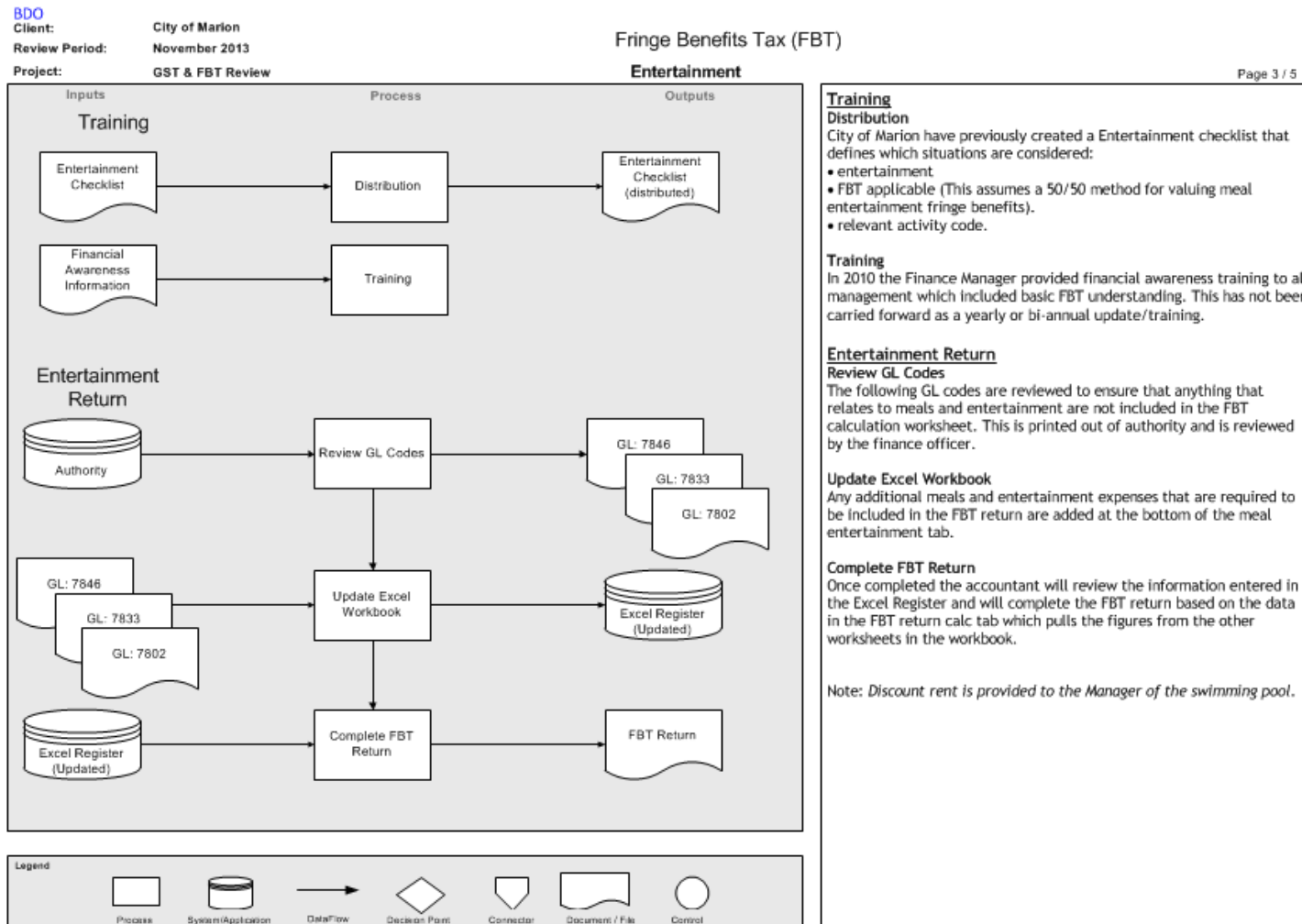
#### Declarations

Each employee who has a council motor vehicle must ensure that they report their odometer reading as at 31 March 2013. They complete a form detailing: Driver Name, Registration Number, Odometer Reading and then are required to date and sign it.

Motor Vehicle Variation Report - All requests for limited private use or commuter use of a vehicle will be assessed against the policy. The request must be submitted using a Reclassification/Remuneration Change request form (available from Organisational Development) and be approved, in the first instance by the Director and then EMG. Any such request must detail fully the justification for the vehicle addressing issues of job requirements for the vehicle and the amount of out of hours use.



## Entertainment



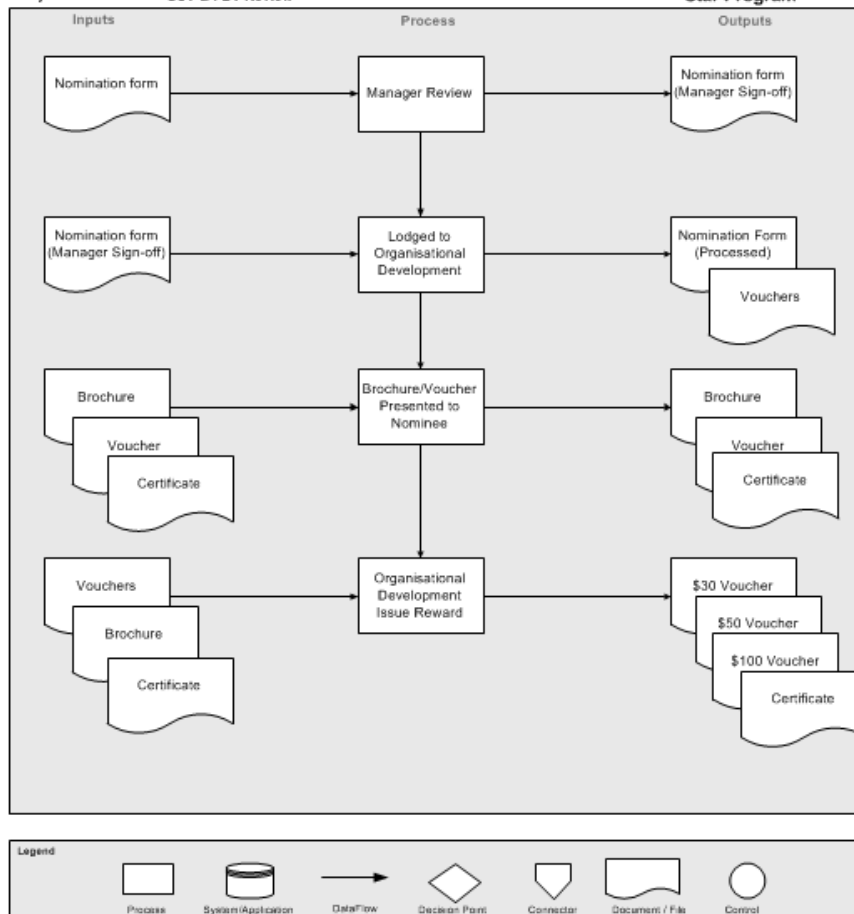
## Star Program

BDO  
Client: City of Marion  
Review Period: November 2013  
Project: GST & FBT Review

### Fringe Benefits Tax (FBT)

#### Star Program

Page 4 / 5



#### Manager Review

For an employee to be nominated, a STAR nomination form should be completed by another employee and forwarded to the nominated employee's manager for authorisation. The manager is required to authorise the nomination and identify on the form whether the reward is a team or an individual award.

#### Lodged to Organisational Development

Once the form has been authorised by the employees manager, the form is then forwarded to the Organisational Development Unit for processing. No approval by organisational development occurs this is done by the individuals manager.

A nomination can be for an individual or a team, if it is for a team then one voucher will be provided to the team as well as one certificate.

#### Brochure/Voucher Presented to Nominee

Once processed by OD the manager of the person being nominated will receive a reward brochure and a certificate of recognition. The manager will then meet with the individual or team to present them with the reward brochure and the certificate of recognition. The individual and team can select from the brochure which type of reward (brochure) they wish, this is then sent back to OD.

#### Organisational Development Issue Reward

Once OD receives the selected reward from the individual or team they will issue the gift card directly to the nominee.

It should be noted that:

Employees who are nominated through the STAR program shall receive a certificate of recognition from the Chief Executive Officer and an award as outlined below:

- \$30 individual
- \$70 team
- Should there be multiple nominations received within the calendar month the following shall apply:
  - Nominations will be combined on to one certificate
  - The maximum amount an individual will receive will be \$50, which may be made up of \$30 voucher of your choice and \$20 standard voucher (eg Coles/Myer)
  - The maximum amount a team will receive will be \$100

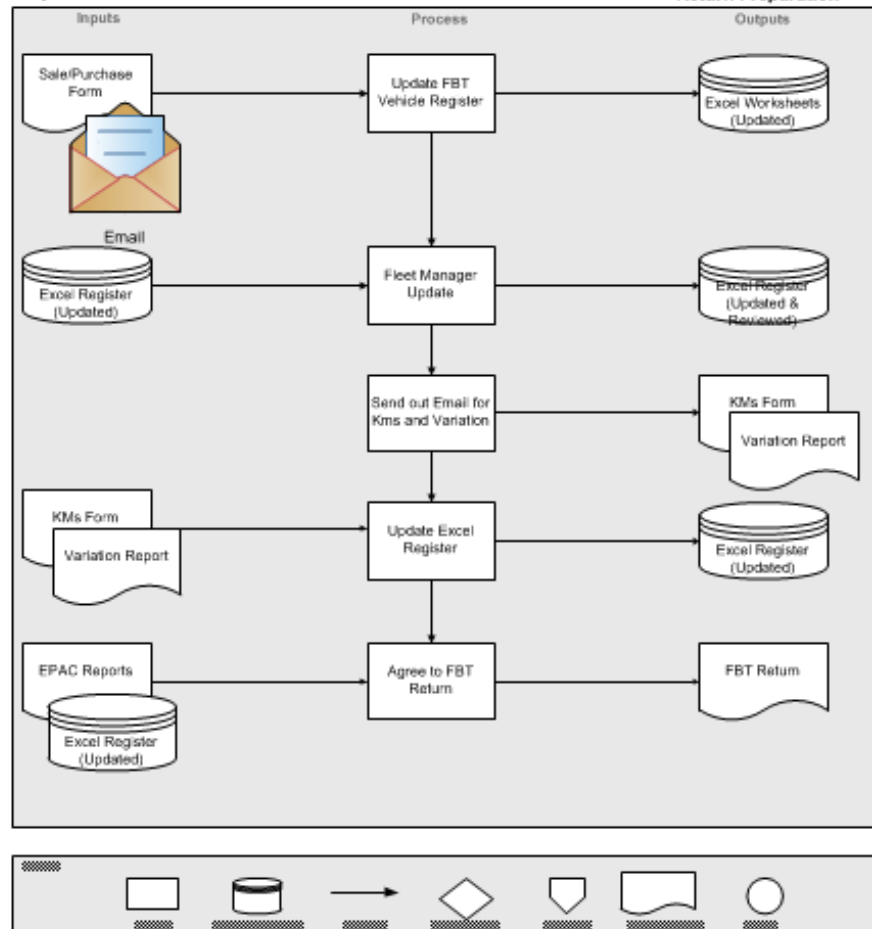
## Return Preparation

BDO  
Client: City of Marion  
Review Period: November 2013  
Project: GST & FBT Review

### Fringe Benefits Tax (FBT)

#### Return Preparation

Page 5 / 5



**Update FBT Vehicle Register**  
The Fleet Manager will send through a sale/purchase form to the finance officer whenever a new car is purchased or traded in for a new vehicle. This form is used to update the FBT register workbook for motor vehicles.

**Fleet Manager Update**  
Once the excel FBT worksheets are updated this is then sent to the Fleet Manager to agree the vehicles listed. The Fleet Manager will also provide a listing of dual cab utes which are considered exempt for FBT.

**Send out Email for Kms and Variation**  
The finance officer at the end of the FBT year will email all employees who have a vehicle for them to complete the number of Kms travelled in the year and the number of days the car was garaged at home (Variation form).

**Note:** Discussion with the finance officer indicated that there is some question about staff who have dual cab utes. A request is sent to these employees who have dual cabs or tray tops for their km readings however the finance officer does not get a completed form. Questions have arisen about how infrequent these vehicles are used and the fact that they seem to be used more for private use and hence should be considered FBT chargeable.

**Update Excel Register**  
The received forms from employees are then updated into the excel register. This information is then flowed into an over arching tab - FBT Return Calc.

**Agree to FBT Return**  
By Mid April EPAC will send through a report for each employee (Novated Lease - Statutory Method Employee Contribution). The EPAC reports should show a taxable amount of 0 unless the lease was taken out just prior to the FBT year ending, this report can be also used to ensure that the FBT Excel Workbook is up to date. If this is the case then there will be an FBT component that is reported and this will be recovered from the employee. This is due to a timing issue more than anything else. Once completed the information from the FBT Return Calc sheet is then transferred into the FBT return by the accountant.

# Appendix 2

Documents Accessed and Consultation

## Documents Accessed

Documents provided by City of Marion and accessed include:

- Fringe Benefits Tax Return 1 April 2012 to 31 March 2013
- Odometer Reading 2012/2013 FBT Year Declaration
- EPAC Novated Lease - Statutory Method Employee Contribution Statements
- Election by employer to adopt 50/50 split Method (Meal entertainment)
- Major Plant Purchase/Changeover form
- Financial Awareness Training Slides
- Entertainment Checklist
- Fees and Charges Schedule 2013/2014
- BAS Reconciliation September 2013
- GST Summary Report
- Minor Fuel Tax Rebate 2013-14
- EPAC Contract
- Equipment Loan Procedure
- Listing of equipment available for loan

## Key Stakeholders Consulted

BDO completed this Core Assurance project through discussions held with:

- Vincent Mifsud - Director
- Ray Barnwell - Finance Manager
- John Stewart - Financial Co-ordinator
- David Harman - Financial Accountant
- Ben Haar - Finance Officer

# Appendix 3

## Classification of Core Assurance Findings

The following framework for Assurance ratings was developed to prioritise findings according to their relative significance depending on their impact to the process.

Rating	Definition	Example of business impact	Action required
<b>Critical</b>	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> <li>• Detrimental impact on operations or functions.</li> <li>• Sustained, serious loss in brand value and/or market share.</li> <li>• Going concern of the business becomes an issue.</li> <li>• Decrease in the public's confidence in the company.</li> <li>• Serious decline in service/product delivery, value and/or quality recognised by customers.</li> <li>• Contractual non-compliance or breach of legislation or regulation with litigation or prosecution and/or penalty.</li> <li>• Life threatening.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires immediate notification to the Audit Committee.</li> <li>• Requires Managing Director/Executive Management attention.</li> <li>• Requires interim action within 7-10 days, followed by a detailed plan of action to be put in place within 30 days with an expected resolution date and a substantial improvement within 90 days.</li> <li>• Separately reported to chair of the Audit Committee and executive summary of report</li> </ul>
<b>High</b>	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>• Major impact on operations or functions.</li> <li>• Serious diminution in brand value and/or market share.</li> <li>• Probable decrease in the public's confidence in the company.</li> <li>• Major decline in service/product delivery, value and/or quality recognised by customers.</li> <li>• Contractual non-compliance or breach of legislation or regulation with probable litigation or prosecution and/or penalty.</li> <li>• Extensive injuries.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires prompt management action.</li> <li>• Requires executive management attention.</li> <li>• Requires a detailed plan of action to be put in place within 60 days with an expected resolution date and a substantial improvement within 3-6 months.</li> <li>• Reported in executive summary of report</li> </ul>

<b>Moderate</b>	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives	<ul style="list-style-type: none"> <li>• Moderate impact on operations or functions.</li> <li>• Brand value and/or market share will be affected in the short-term.</li> <li>• Possible decrease in the public's confidence in the company.</li> <li>• Moderate decline in service/product delivery, value and/or quality recognised by customers.</li> <li>• Contractual non-compliance or breach of legislation or regulation with threat of litigation or prosecution and/or penalty.</li> <li>• Medical treatment required.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires short-term management action.</li> <li>• Requires general management attention.</li> <li>• Requires a detailed plan of action to be put in place within 90 days with substantial improvement within 6-9 months.</li> <li>• Reported in executive summary of report.</li> </ul>
<b>Low</b>	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> <li>• Minor impact on internal business only.</li> <li>• Minor potential impact on brand value and market share.</li> <li>• Should not decrease the public's confidence in the company.</li> <li>• Minimal decline in service/product delivery, value and/or quality recognised by customers.</li> <li>• Contractual non-compliance or breach of legislation or regulation with unlikely litigation or prosecution and/or penalty.</li> <li>• First aid treatment.</li> </ul>	<ul style="list-style-type: none"> <li>• Requires management action within a reasonable time period.</li> <li>• Requires process manager attention.</li> <li>• Timeframe for action is subject to competing priorities and cost/benefit analysis, e.g. 9-12 months.</li> <li>• Reported in detailed findings of report</li> </ul>



# Appendix 4

Templates

## No Private Use Declaration



I, \_\_\_\_\_ (name of  
person authorised to make declaration)

on behalf of \_\_\_\_\_ (name of  
employer)

declare that the expense payment benefits, described below, and provided during the FBT year from 1 April \_\_\_\_ to 31 March \_\_\_\_ are payments or reimbursements of expenses which, under the 'otherwise deductible' rule, would have a taxable value of nil.

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(Show sufficient detail to enable identification of the relevant benefits, e.g. name of employee(s) and or class of employee and or type of expense.)

Signature \_\_\_\_\_

Date \_\_\_\_\_

## Checking an ABN



### **Am I responsible for ensuring that a supplier's quoted ABN is correct?**

In general, if the ABN quotation looks reasonable, you can accept it.

However, if you have reason to suspect that it might not be genuine or that it does not belong to the supplier who quoted it, you should check it out. Things that may alert you include:

- incorrect number. An ABN has 11 digits. There are no letters and the first digit will never be zero. Branches of entities will have an additional three digit GST or PAYG registration number that is a separate identification number for tax purposes
- sequential numbers, repeating numbers or unusual number patterns, and
- invoice details do not match the details of the person you believed was supplying you or the type of supplies you are receiving.

You can check an ABN by using the Australian Business Register at **[www.abr.gov.au](http://www.abr.gov.au)**. The register provides details of the names and addresses of suppliers holding valid ABNs. To use the register, you can also phone **13 72 26**.

If the ABN quoted on the invoice is not valid or the details do not match the supplier, you should withhold 47.0% of the payment."

### **Changes from 1 January 2014**

From 1 January 2014, the Australian Business Register (ABR) is no longer displaying trading names with ABNs. Only registered business names will appear. The ATO will still record a trading name for tax purposes but this information will not flow through to the ABR. This is mostly likely to be an issue where the supplier is operating through a trust structure

#### **EXAMPLE FACTS**

Trustee Company: ABC Trading Pty Ltd

Trust (trading entity): Smith Family Trust

#### ***Previously***

You could add the trading name to the ABN and the ABR would show:

ABN: 12 123 456 789

Name: The trustee for Smith Family Trust

Trading Name: ABC Trading

If a search is done on the name “ABC Trading”, Smith Family Trust and its ABN would result.

**Currently**

In the same situation as above, you will now find the ABR shows:

ABN: 12 123 456 789

Name: The trustee for Smith Family Trust

Business Name: None

If a search is done on the name “ABC Trading”, you will get no results. Unless a business name is registered, it will not appear.

This means that if AP staff try to match ABNs to business names, they may not find them due to these changes which will use more time.

*Note: There have been complaints about these changes as payers who can't find an ABN attached to a trading name are withholding from the payment. This may change.*

## Dual Cab Declaration



### No-private-use declaration – residual motor vehicle benefits

I \_\_\_\_\_ on behalf of \_\_\_\_\_  
(name of person authorised to make declaration) (name of employer)

declare that the dual cab vehicle, described below, and provided during the FBT year from 1 April \_\_\_\_\_ to 31 March \_\_\_\_\_ was used for work purposes and any private use was restricted to:

- Travel between home and work
- Travel that is incidental to travel in the course of duties of employment
- Non-work related use that is minor, infrequent or irregular

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(details of motor vehicle)

Signature \_\_\_\_\_

Date \_\_\_\_\_

**CITY OF MARION  
AUDIT COMMITTEE MEETING  
16 December 2014**

**Originating Officer:** Heather Falckh, Manager Organisational Excellence

**Director:** Kathy Jarrett

**Subject:** Service Review Project Briefs  
Grant Management  
Funding to the Community

**Report Reference:** AC161214R6.5

---

**DISCUSSION:**

The purpose of this report is to seek the Audit Committee's feedback on the scope of work for two new project briefs – "Grant Management" and "Funding to the Community" - refer to Appendix 1 and 2.

The external auditors identified opportunities for improvement in the management of grant funding coming to the City of Marion as well as funding provided by the City of Marion to the community. Both reviews seek to improve understanding of the current processes and learn from best practice to determine improvement opportunities.

The "Grant Management review" will consider how the City of Marion attracts and manages grant funding sourced from funding providers such as State and Commonwealth Governments.

The "Funding to the Community" project seeks to assess the public value of funding provided to the community and explore the difference between grant funding, sponsorship and funding through donations.

The outcomes from these reviews are expected to be reported to the Audit Committee early in 2015.

The hours of work and associated costs provided by BDO for this project is consistent with the contract for services between the City of Marion and BDO. The budget for internal audit and service reviews has sufficient funds for the conduct of these projects.

The addition of these projects has been as a result of feedback from the City of Marion's external audit process.

**RECOMMENDATIONS (1)**

**DUE DATES**

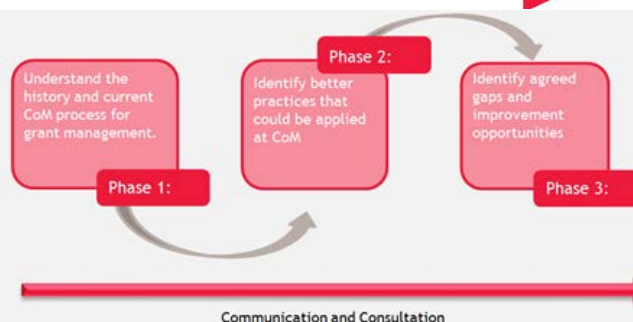
**That Audit Committee:**

1. **Provide feedback on the two project briefs for 'Grants Management' and "Funding to the Community" service review projects.**

**April 2015**

## City of Marion PROJECT BRIEF

1. Project Title:	Grants Review
2. Project Contact:	Vincent Mifsud - Director Heather Falckh - Manager Organisational Excellence
3. Project Objective:	<p>The objective of this project is to identify any gaps and/or opportunities to improve the effectiveness and efficiency of the City of Marion's (CoM's) processes for:</p> <ul style="list-style-type: none"> <li>• Identification of potential grants &amp; coordination across CoM</li> <li>• Alignment of grants to Council priorities and impact of grant funding on LTFP and AMP's</li> <li>• Application for grants</li> <li>• Administration of grants (including monitoring across council)</li> <li>• Finalisation and reporting of a grant.</li> </ul>
4. Project Outcomes:	<p>This project will assist CoM to improve its processes to identify, manage and report its obligations with funding providers such as State Government and Commonwealth Government and adequately provide for the costs associated with receiving grant funding.</p>
5. Scope & Approach:	<p>Each business unit within CoM is responsible for identifying, applying, administering, monitoring and reporting of grants received. This results in variations to the process and may not consider the benefit/costs associated with accessing available funding and ensuring the alignment with CoM strategic objectives.</p> <p>The review is to consider opportunities to improve the current process including use of resources associated with grant applications, the impact of 'match funding' and ongoing CoM costs, and the acquittal and monitoring processes.</p> <p>The focus of the review will be on adapting ideas from best practice and building on the learning from the previous Grant Attractor Relationship Manager's (GARM's) group. The review will include larger value grants as well as a small sample of lower value grants.</p> <p>The review is to also identify opportunities for funding sources beyond the areas in which CoM has traditionally applied for grant funding, as well as facilitating organisations (clubs and community groups) in the Marion area to access appropriate grant funding.</p> <p>The scope of the review will include the main areas of CoM which attract grant funding:</p> <ul style="list-style-type: none"> <li>• Open Space (Peter Patterson)</li> <li>• Arts &amp; Culture (Marg Edgecombe)</li> <li>• Community Participation (Margi Whitfield)</li> <li>• Major Projects (John Valentine).</li> </ul> <p>We have developed a proposed 3 phase approach to this project as illustrated in the diagram below.</p>



### Phase 1 - Understand the history and current CoM process for grant management

During this phase of work we will:

- Review any relevant documentation from the GARM's group or meet with previous members to recap on the learning
- Consider any documentation in place to support current processes including for example, policies, procedures, guidelines and/or training materials
- Meet with key stakeholders to document current processes for each business unit using high-level process maps.

### Phase 2 - Identify better practices that could be applied at CoM

During this phase, we will:

- Sample a selection of grants to determine the requirements imposed on CoM and the process underlying the management of each grant (the sample will also include situations where CoM partners with community groups to aid them in applying for grants)
- Identify the requirements of each grant sampled and determine whether CoM have appropriate processes and controls in place to ensure efficient administration and reporting of these grants based on these requirements
- Identify points in the process that pose potential risks to CoM
- Alignment of grants to CoM's Strategic Management Framework (eg Community Plan, prioritisation framework & asset framework).
- Identify better practices in relation to grant management.

### Phase 3 - Identify agreed gaps and improvement opportunities

During this phase, we propose to:

- Investigate key gaps and/or improvement opportunities agreed with CoM management
- Provide input into design of reports, policy, checklists, forms and templates used internally by CoM staff
- Report the results of our work and provide practical recommendations for improvement.

This project will not include:

- Review & recommendations already undertaken & provided by the external auditors
- Donations or in kind contributions from the community or other organisations.

7. Timeframe:

Project delivery by end of January 2014.



## 6. Project Resources:

The estimated total cost to complete this project is:

Individual	Title	Role	Hourly Rate (exc. GST)	Estimated Input (Hours)	Original Estimated Input (exc. GST)
Kyffin Thompson	Partner / Director	Engagement Partner	\$280	8	\$2,240
James Leach	Manager	Project Manager	\$190	30	\$5,700
Ken Fong	Senior Consultant	Project Execution	\$160	45	\$7,200
				<b>83</b>	<b>\$15,140</b>

Please note that these costs do not include travel and communication related expenses.

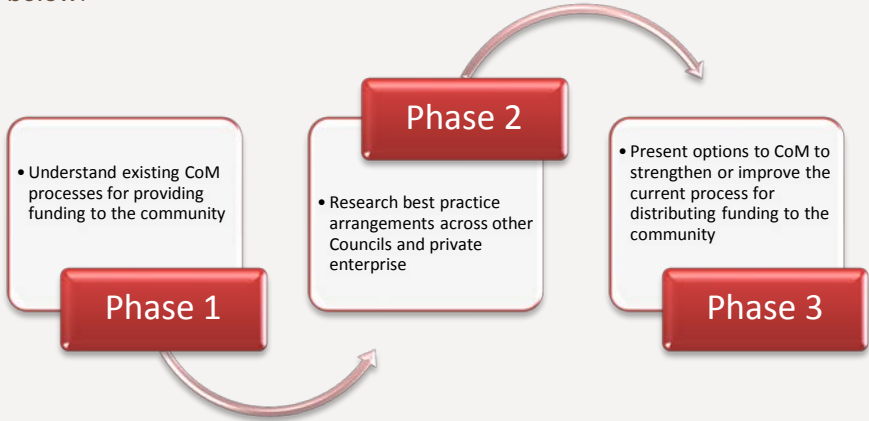
## 7. Agreed by:

Partner - Kyffin Thompson  
/ /2014

Vincent Mifsud - Director  
/ /2014

DRAFT

## City of Marion PROJECT BRIEF

1. Project Title:	Funding provided to the Community
2. Project Contact:	Vincent Mifsud, Director Margi Whitfield, Manager Community Participation
3. Project Objective:	<p>The objective of this project is to identify:</p> <ul style="list-style-type: none"> <li>• How funding can be used as a catalyst to achieve positive benefit and sustainable change within the community</li> <li>• The options for distributing funding to the community</li> <li>• Consider the value to the community from distributing funding</li> <li>• Consider how CoM could maximise the community value from available funding</li> </ul>
4. Project Outcomes:	This project will assist the council in assessing the value of the funding provided and if appropriate, improve its approach to providing funding to the community in an equitable manner.
5. Scope & Approach:	<p>The Community Participation Department and Governance Department provide funding to the community through both grants and donations. This is achieved through the following:</p> <ul style="list-style-type: none"> <li>• Community Grant Program(grants)</li> <li>• Unsolicited requests (donations)</li> <li>• Christmas Hampers (donations)</li> <li>• Youth Achievement Awards (donations)</li> <li>• In kind support</li> </ul> <p>Although funding is relatively small in amount, funding to community groups is sought after and has the potential to be a politically sensitive issue.</p> <p>Current funding processes are separate and have been in place for many years.</p> <p>This project will also explore the difference between grant funding, sponsorship and funding through donations and the purpose of each of these different types of funding.</p> <p>Based on discussion with CoM representatives, we have developed a proposed 3 phase approach to this project as illustrated in the diagram below:</p>  <pre> graph LR     P1[Phase 1: Understand existing CoM processes for providing funding to the community] --&gt; P2[Phase 2: Research best practice arrangements across other Councils and private enterprise]     P2 --&gt; P3[Phase 3: Present options to CoM to strengthen or improve the current process for distributing funding to the community] </pre>

	<p><b>Phase 1</b> - Understanding existing CoM processes for distributing funding to the community. During this phase we will:</p> <ul style="list-style-type: none"> <li>• Meet with key team members from Community Participation and Governance to identify and understand the funds provided and the process to administer each</li> <li>• Consider the governance arrangements currently in place to oversee and monitor the funding distribution process</li> <li>• Understand the related CoM strategic objectives as well as the criteria for determining community outcomes</li> <li>• Identify and review related procedures, funding criteria, performance measures, policies and frameworks and their currency</li> </ul> <p><b>Phase 2</b> - Understanding of community value and research into best practice. During this phase, we will:</p> <ul style="list-style-type: none"> <li>• Consider benefits to the community attained by providing grants, donations or sponsorship and methods for measuring this</li> <li>• Identify (in collaboration with CoM representatives) and contact organisations (including other Councils as well as private sector) that would be considered 'best practice' in maximising community outcomes through the distribution of funding</li> <li>• Consider best practice in this area and alternative funding models which deliver benefit to the community and build community capacity</li> </ul> <p><b>Phase 3</b> - Identify potential opportunities for improvement and provide a report. During this phase, we propose to:</p> <ul style="list-style-type: none"> <li>• Provide options outlining improvement opportunities, for example: <ul style="list-style-type: none"> <li>➢ Alternatives to measure and maximise public value</li> <li>➢ Development of a policy framework for grants, donations or sponsorship that aligns with the CoM strategic objectives</li> <li>➢ Development of a relevant funding program/s for the CoM, with associated procedures/guidelines</li> <li>➢ Revision of the amounts to be provided through any funding program based on the benefit the community may receive.</li> </ul> </li> <li>• Report the results of our work to the Audit Committee (as required).</li> </ul>		
7. Timeframe:	Project delivery by end January 2015		
6. Project Resources:	<p>The estimated total cost to complete this project is \$10,000 (GST exclusive).</p> <p>Please note that these costs do not include travel and communication related expenses.</p>		
7. Agreed by:	<table> <tr> <td data-bbox="499 1671 874 1805"> <b>Partner - Kyffin Thompson</b>  / /2014 </td><td data-bbox="874 1671 1436 1805"> <b>Manager Community Participation</b>  - Margi Whitfield  / /2014 </td></tr> </table>	<b>Partner - Kyffin Thompson</b> / /2014	<b>Manager Community Participation</b> - Margi Whitfield / /2014
<b>Partner - Kyffin Thompson</b> / /2014	<b>Manager Community Participation</b> - Margi Whitfield / /2014		

**CITY OF MARION  
AUDIT COMMITTEE MEETING  
16 DECEMBER 2014**

**Originating Officer:** Kate McKenzie, Manager Governance

**Director:** Kathy Jarrett

**Subject:** Audit Committee Work Program & Meeting Schedule for 2015

**Reference No:** AC161214R6.6

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### **REPORT OBJECTIVE**

Setting an annual work program helps to ensure that the Audit Committee addresses the scope of activities identified in the Audit Committee Policy and Terms of Reference, and ensures that the workload of the Committee is planned, managed and resourced. It allows the Committee to relay the dates and times of the meetings to the community and provides for upcoming business to be dealt with in a timely manner.

### **EXECUTIVE SUMMARY**

The Audit Committee Policy requires that the Committee meet at least quarterly at a time and place determined by the Committee, provided that all meetings are open to the public at the City of Marion building (Clauses 4.12). A schedule of meetings is to be determined by the Committee Members (clause 4.14).

A work program and meeting schedule for 2015 satisfying the requirements set out in the Policy has been compiled in **Appendix 1** for the Committee's consideration. The items included on the program are indicative only as items may be added, changed or moved during the year depending on areas of identified risk. As can be seen, the program addresses areas of responsibility as defined within the Audit Committee Terms of Reference, as well as providing opportunity for the improvement of the Committee's operations.

### **RECOMMENDATION (2):**

### **DUE DATES**

**That the Audit Committee:**

- |  |              |
|--|--------------|
| 1. Notes the proposed work program for 2015 identified at Appendix 1 to the report.                      | October 2014 |
| 2. Adopts the following indicative schedule of meetings for 2014;  | October 2014 |
| a. TUESDAY, 14 April 2015 (2.00 – 5.00 pm)   |              |
| b. TUESDAY, 9 June 2015 (2.00 – 5.00 pm)   |              |
| c. TUESDAY, 18 August 2015 (4.00 – 6.00 pm, followed by joint workshop with Council from 7.00 – 9.00 pm) |              |
| d. TUESDAY, 13 October 2015 (2.00 – 5.00 pm)   |              |
| e. TUESDAY 15 December 2015 (2.00 – 5.00 pm)   |              |

**Appendix 1**

<b>SCHEDULE OF MEETINGS 2015</b>			
<b>Day</b>	<b>Date</b>	<b>Time</b>	<b>Venue</b>
Tuesday	14 April 2015	2.00 – 5.00 pm	Administration Centre
Tuesday	9 June 2015	2.00 – 5.00 pm	Administration Centre
Tuesday	18 August 2015	4.00 – 6.00 pm Followed by 7.00 – 9.00 pm (Joint workshop with Council and the Strategic Directions Committee)	Administration Centre
Tuesday	13 October 2015	2.00 – 5.00 pm	Administration Centre
Tuesday	15 December 2015	2.00 – 5.00 pm	Administration Centre

**INDICATIVE AUDIT COMMITTEE WORK PROGRAM - 2015****TUESDAY, 14 April 2015**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Business Plan and Budget 2015/16	Review and Feedback
Corporate Risk Profile	Review and Feedback
Asset Management Plans & Associated Policies	Review and Feedback
Program Evaluation (Internal Audit Tender)	Review and Feedback
Outstanding Debtors Report	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note

**TUESDAY, 9 June 2015**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Engagement for the Year Ending 30 June 2015	Review and Recommendation to Council
Draft Annual Business Plan and Budget (after public consultation) & Draft Long Term Financial Plan	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Annual Review of WHS Program	Review and Feedback

**TUESDAY, 18 August 2015**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Annual Claims and Insurance Renewal Report	Review and Feedback
Valuations of Buildings and Assets	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Note
Meeting with internal auditors in camera	Seeking feedback from Auditors

**TUESDAY, 13 October 2015**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Audit Committee Annual Report to Council	Review and Refer to Council
Independence of Council's Auditor for the year end 30 June 2015	Review and Recommendation to Council
Audited Annual Financial Statements for the year end 30 June 2015	Review and Recommendation to Council
Meeting with external auditors in camera	Seeking feedback from Auditors
Program Evaluation (Scopes and Reports)	Review and Notes
LGA MLS Risk Review	Review and Feedback
Investment Performance 2014/15	Noting

**Tuesday, 15 December 2015**

<b>Topic</b>	<b>Action</b>
Outcomes and Action Plan for Audit Committee	Review and Feedback
Program Evaluation (Scopes and Reports)	Review and Feedback
Corporate Risk Profile	Review and Feedback
Work Program and Meeting Schedule 2016	Review and Feedback
Long Term Financial Plan – Half yearly update	Review and Feedback
Ombudsman SA Annual Report 2014-15	Review and Feedback