

## **AUDIT COMMITTEE**

### **AGENDA**

**Meeting to be held Tuesday 6 December 2011  
at 6.00 pm in the 1<sup>st</sup> Floor Conference Room  
Unley Civic Centre  
181 Unley Road Unley**

### **MEMBERS:**

Mr John Rawson (Presiding Member)  
Mr Simon Rodger  
Mr Shaun Matters  
Councillor Michael Hewitson  
Councillor Peter Hughes

### **ACKNOWLEDGEMENT**

We acknowledge that the land we meet on today is the traditional land of the Aboriginal people and that we respect their spiritual relationship with their country.

We also acknowledge that the Aboriginal people are the custodians of the Adelaide region and that their cultural and heritage beliefs are still important to the living Aboriginal people today.

### **APOLOGIES:**

Councillor P Hughes

### **REPORT TO COUNCIL : 12/12/11**

### **CONFIRMATION OF MINUTES**

MOVED:  
SECONDED:

That the minutes of the Audit Committee meeting held on Tuesday 27 September 2011, as printed and circulated be taken as read and signed as a correct record.

## **AUDIT COMMITTEE**

### **AGENDA**

**Meeting to be held Tuesday 6 December 2011  
at 6.00 pm in the Civic Centre  
Unley Civic Centre  
181 Unley Road Unley**

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## **DECISION REPORT**

<b>REPORT TITLE:</b>	PROVISION OF ENVIRONMENTAL HEALTH SERVICES BY EASTERN HEALTH AUTHORITY
<b>ITEM NUMBER:</b>	37
<b>DATE OF MEETING:</b>	6 December 2011
<b>AUTHOR:</b>	HELEN HOARE
<b>JOB TITLE:</b>	MANAGER COMMUNITY PROJECTS
<b>RESPONSIBLE OFFICER:</b>	DEB RICHARDSON
<b>JOB TITLE:</b>	GENERAL MANAGER CITY DEVELOPMENT
<b>COMMUNITY GOAL:</b>	1.9 Build partnerships with, and facilitate linkages between service providers, adjoining councils and other spheres of government to optimise services.
<b>REPRESENTOR/S:</b>	N/A
<b>ATTACHMENTS:</b>	1. ANALYSIS OF TOTAL ANNUAL COST FOR EHA TO DELIVER REMAINDER OF ENVIRONMENTAL HEALTH SERVICES

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### **PURPOSE**

The purpose of this report is to outline the rationale for recommending membership of the Eastern Health Authority as a constituent council.

### **RECOMMENDATION**

MOVED:  
SECONDED:

That:

1. The report be received.
  2. The provision of environmental health services by the Eastern Health Authority be supported and presented to the City Strategy and Policy Committee for review.
-

## **BACKGROUND**

Over the last year discussions have been held with the Eastern Health Authority Inc. (EHA) to determine if there were benefits to Unley Council joining this local government subsidiary for the provision of environmental health services. The Eastern Region Alliance agreement, to which the City of Unley is a signatory, provides the strategic context for these discussions.

The Eastern Region Alliance comprises the Cities of Norwood Payneham St Peters, Campbelltown, Walkerville, Prospect, Burnside, Tea Tree Gully, and Unley. All of these Councils, with the exception of Tea Tree Gully and Unley have their environmental health services delivered by EHA.

EHA is a Local Government Regional Subsidiary established under Section 43 of the Local Government Act, to provide public health services to its constituent councils. The Authority also provides the Cities of Adelaide and Unley with an immunisation service on a contract basis, as well as the City of Unley a Supported Residential Facility licensing service, also under a contract arrangement.

## **COMMUNITY ENGAGEMENT**

No community consultation has been undertaken in relation to this issue.

## **DISCUSSION**

EHA has provided the City of Unley with a Supported Residential Facility licensing service since April 2008 which has proved to be very successful. In addition, EHA has been delivering immunisation services for the City of Unley since February 2011.

A process has been undertaken to formally explore the potential for EHA to provide the City of Unley with a broader range of environmental health services. This process has included:

- Extensive sharing of information about the current services, service expectations and standards, staffing levels and operating costs.
- Identification of gaps in the level of service delivery.
- Cost modelling for both Unley and the other constituent Councils.
- Determination of the “one-off” transition costs associated with the transfer of the service.
- Calculation of the retained equity amount required from the City of Unley as an ‘entry’ cost.
- Independent risk assessment undertaken.
- Implications of the new *South Australian Public Health Act 2011*.

## Service Analysis / Comparison List

The main differences in the levels of service delivery between the current City of Unley service and the service that could be provided by EHA have been identified, and are outlined below:

SERVICE	UNLEY	EHA	GAP	IMPACT/ACTION
Food Safety: Education and Training	Unley do not routinely offer training	Regular training sessions. Training tailored to individual premises on request		Better food safety outcomes
Food Safety Audits	Do not have approved food safety Auditor/s	Have approved food safety Auditors		Better alignment between Food Safety Auditing and routine inspections of food premises.
Environmental Nuisance	Respond to environmental nuisance complaints	Refer complaints to EPA	Less servicing of EPA related issues	Unley to refer complaints to EPA
Sharps Disposal	Sharps dropped off at Unley Customer Service, Civic Centre	Sharps can be dropped off at EHA, 101 Payneham Rd, St Peters	Further to travel to drop off point	Unley to continue providing this service.
Rodent Bait	Provide free rodent bait for residents	Don't provide rodent bait		Unley to continue through Civic Centre customer centre

### *Advantages of EHA Model*

EHA has approved Food Safety Auditors on staff, and there would be better alignment between Food Safety Auditing and routine inspections of food premises under the Food Act.

### *Disadvantages of EHA Model*

All environmental nuisance incidents would be referred to the Environment Protection Authority (EPA). The number of complaints however is not high (total of 17 noise related complaints received in 2008/09).

### *Residual Tasks*

In addition to the provision of Environmental Health Services, the Council's Environmental Health Team has been responsible for other tasks including management of the waste contract, and renewing and authorising permits.

A budget for the following tasks will be retained:

- Management of the waste contract;
- Issue of Outdoor Dining, Street Traders, and Canvassing Permits.

Council will continue to provide a disposal point for sharps, and rodent bait free of charge to residents (not a big impact in terms of time, resources, and cost approx \$1 000 per annum).

### **Operating Cost Analysis**

The annual fees for the provision of current services by EHA are:

Supported Residential Facility licensing:	\$15,000
Immunisation services:	<u>\$85,000</u>
Total:	\$100,000

Based on the 2010/2011 Budget, the total cost (i.e. direct and indirect costs) for Council to deliver the remainder of environmental health services is \$297,634 (excluding Supported Residential Facility licensing; immunisation; management of waste contract; issue of permits; sharps disposal; and provision of free rodent bait).

EHA's Charter contains a formula for determining the proportion of each constituent council's required individual contribution. The formula is based on the proportion of total activities estimated to be consumed by a constituent council.

EHA's funding formula estimates that Unley's proportion of total activities or consumption would be 23.25%. In turn, this means that Unley would be required to contribute 23.25% of the total contributions required from constituent councils. Based on this funding formula, and excluding the \$100,000 already committed to EHA, this is estimated to be \$289,668 per annum. This equates to a saving for the City of Unley of \$7,966 (excluding one off transition costs).

### ***Ongoing operational expenditure comparison:***

Unley:	\$297,634
EHA:	<u>\$289,668</u>
<b><i>Unley budget saving:</i></b>	<b><i>\$7,966</i></b>

Further budget information is provided as Attachment 1 to Item 37/11 to report.

#### *Attachment 1*

Additional financial contributions may be required from EHA members for expenditure on approved projects or where legislative change causes operating costs to increase. It should however be noted that Unley would be affected by costs associated with legislative change regardless of whether it retains Environmental Health services or becomes a member of EHA.

#### **Liability**

EHA is registered with both the Local Government Mutual Liability Scheme and Local Government Workers Compensation Scheme (in accordance with the EHA Charter), and complies with the Rules of these Schemes.

If Unley becomes a constituent member of EHA it will, by virtue of the Charter, assume a level of liability resulting from the Authority's operations. The liability proportion is currently determined in accordance with the funding formula. The formula is based on the proportion of total activities estimated to be consumed by a constituent council.

#### **EHA office refurbishment contribution**

EHA currently lease office space in the St Peters Library Complex which is about to undergo redevelopment. As a tenant, EHA is responsible for the cost of the 'fit-out' of their new office space. This could affect Unley in the order of \$8,000 per annum for the term of the loan (ten years, commencing as of the 2012-2013 financial year).

#### **Retained Equity Considerations**

The funding formula is also used to identify the equity contribution required from the City of Unley. The estimated level of equity held by EHA as at 30 June 2011 is \$286,738. The City of Unley's "share" of this equity would be \$66,666 based on the funding formula (23.25%). This represents the equity Unley would assume as a result of investment into EHA and would compensate the existing councils for their current equity share. The funds would appear on Unley's balance sheet as equity in EHA.

#### **Estimation of one off expense**

A number of one off costs are anticipated as part of the transition process for Unley Council to become a constituent member of EHA. These transition costs are estimated at \$10,000 and include the data conversions and licence costs for the Health Manager data base and minor equipment purchases.

## **Withdrawal from EHA**

If the City of Unley became a constituent member of the Eastern Health Authority and found that the arrangement did not meet its requirements, the withdrawal process outlined in the EHA Charter would apply as follows:

Clause 4.2.1 of the Eastern Health Authority Charter states:

*"Subject to any legislative requirements, including but not limited to Ministerial approval, a Constituent Council may resign from EHA at any time by giving a minimum 12 months notice expiring on 30 June in the financial year after which the notice period has expired unless otherwise agreed by unanimous resolution of the other Constituent Councils."*

The Charter provisions must be read in conjunction with the overriding provisions of the Local Government Act 1999. This means that a withdrawal requires the Council to consider both the legislative (under the Act) and the contractual (under the Charter) considerations relevant to the withdrawal.

The Charter provisions in this regard are relatively standard – they do not seek to lock in a council, just to require an appropriate notice period and payment of all monies due during the full period of membership, including in respect of any liabilities that accrue during the period of membership.

The Local Government Act clause 29 of Schedule 2 requires Ministerial approval for a council to either join or to withdraw from a regional subsidiary.

Upon a request to the Minister by a council seeking to withdraw, the Minister will consider the reasons for the withdrawal, any relevant objection from the subsidiary and/or other constituent councils, and the likely effect of the withdrawal in financial terms to the ongoing viability of the subsidiary. If the Minister were to refuse a request to withdraw, he would be required to articulate reasons for that position and to take into account the requesting council's response to his reasons.

Based on the above, the council could find itself in a position where it was unable to withdraw from EHA and would then remain bound by the provisions of the Charter governing its membership.

## **South Australian Public Health Act 2011**

The *South Australian Public Health Act 2011* has recently been passed by State Parliament and will replace the original Act (1987) in stages over the next two years. It seeks to provide a modernized, flexible legislative framework, so South Australia can better respond to new public health challenges as well as traditional hazards. The Act is intended to improve coordination between health officials across State and Local Government to better manage public health issues.



The preparation of Regional (local) Health Plans and a stronger emphasis on health promotion and prevention of lifestyle diseases will be required. This approach will have additional resource implications, including the development of a Public and Environmental Health Management Plan, and associated significant additional administration costs. If Unley becomes a member of EHA it will be included in an eastern region Plan and would contribute a share of the cost. If however, Unley retains its environmental health services, an individual Plan will be required and Unley will have to fund the total cost for the preparation of a Plan (indicative cost of \$25,000), as well as the additional staff costs to regularly update and report against the Plan.

### **Impact on Unley Staff**

The Unley Environmental Health section is currently staffed by:

- one (1) temporary experienced and qualified Environmental Health Officer (substantively MO5) ;
- one (1) temporary graduate EHO (substantively MO3);
- administration support provided on a casual basis.

EHA have indicated that they would require the services of the experienced and qualified EHO.

The City of Unley will honour the current contract for the graduate EHO until its end (i.e. 30 June 2012).

### **Strategic Context**

The location of the City of Unley within the eastern region provides a unique opportunity to consider the EHA method of service delivery at a time when the environmental health field is becoming increasingly complex due to the South Australian Public Health Act 2011.

The recommended option is therefore that the City of Unley formally request membership of the Eastern Health Authority. An indicative timeline for this process to be undertaken is provided below:

<b>Process Steps</b>	<b>Indicative Timeline</b>
Following consideration by the Audit Committee, a report to February City Strategy and Council meeting re decision on whether or not to become a constituent Council of EHA	February 2012
City of Unley formally requests in writing to join EHA as a constituent member, subject to the current constituent councils agreeing.	February 2012
EHA Board considers and endorses the request.	March 2012

Prepare budget request for inclusion of one-off transition costs in 2012-13 financial year.	March 2012
EHA CEO to request each constituent council to individually consider and endorse the request and consent to the amendment of the Charter by the addition of Unley as a constituent council from a negotiated starting date.	March 2012 –April 2012
EHA to advise Unley of the outcome of EHA Board and constituent council's consideration of the issue	May 2012
Inform the City of Unley Workplace Consultative Committee of the outcome	May 2012
If Unley membership of EHA to proceed, seek approval from the Minister for State/Local Government Relations for Unley to become a constituent council of EHA. This is required in accordance with the Local Govt Act Clause 29 (a) of Schedule 2	May - June – 2012
Upon approval of the Minister arrange for the amended Charter for EHA to be published in the South Australian Government Gazette	June - July - 2012
Delegations under relevant legislation from the City of Unley to the Eastern Health Authority – report to Council	July - August 2012
Commence Transition period	August 2012

## **ANALYSIS OF OPTIONS**

Option 1 – That the provision of environmental health services by the Eastern Health Authority be supported and presented to the City Strategy and Policy Committee for review.

A number of benefits have been identified from this option:

- An opportunity to provide shared services whereby the City of Unley would be included in EHA's Regional Environmental Health Management Plan as required under the *South Australian Public Health Act 2011*
- Environmental Health Services would be provided by a larger operator ensuring business continuity.

- Consolidation of environmental health officer skill and expertise in an employment market where a shortage of Environmental Health Professionals has been experienced.
- Alignment with the principals of the Eastern Region Alliance agreement
- The cost analysis indicates an ongoing budget saving for the City of Unley of \$7,966.
- A number of workstations would become vacant and available for use by other staff

The disadvantages of this option include:

- Residents of the City of Unley may associate environmental services delivery with EHA, and not the City of Unley. It will be important to ensure that residents understand that environmental health services are still provided by the City of Unley, but through an external provider (EHA).
- Loss of direct control over services if services are provided by EHA.

Option 2– That the Audit Committee recommends that more information be provided to Council

The Audit Committee may identify further information that is required in order to make a decision. This could be provided in a further report to the Audit Committee or Council.

Option 3– That the Audit Committee recommends that Council proceeds no further with the request to become a constituent member council of EHA

This decision will need to be communicated to EHA and the CEO's of the Eastern Region Alliance Councils. A decision against joining EHA may be viewed as contrary to the objectives of the Eastern Region Alliance agreement.

## **RECOMMENDED OPTION**

Option 1 is the recommended option.

## **POLICY IMPLICATIONS**

The cost of implementing the recommendation in 2012-13 will be:

Data transfer	\$10 000
Equity contribution	\$66 666
EHA office refurbishment contribution (year 1 of ten year contribution)	\$8 000

The cost analysis indicates an ongoing operational budget saving for the City of Unley of \$7 966.

Any additional resources required by EHA as a result of legislative change are communicated to constituent councils for consideration in each council's long term financial planning processes. An example of this is the new *South Australian Public Health Act 2011* which will be implemented over the next two years and require the preparation of, and reporting against Regional (local) Health Plans. As a member of EHA, Unley would be required to contribute a cost share for this Plan (still a cost to Unley if not a member of EHA).

As a constituent member council of EHA Unley would be required to contribute to the cost of the EHA office refurbishment. Based on the funding formula this could affect Unley in the order of \$8,000 per annum for the term of the loan (ten years, commencing as of the 2012-2013 financial year). While the refurbishment contribution cancels out the operational budget saving for the City of Unley ( \$7 966), it could be seen as a benefit to Unley in freeing up a number of workstations for use by other staff.

EHA operating costs are also influenced by Enterprise Bargaining processes which would be the same for Unley if environmental health services are retained.

### **A Risk Based Approach**

The City of Unley has adopted a Risk & Opportunity Management Policy and Framework in order to undertake a risk management approach to all its business practices. An independent risk assessment was undertaken in February 2010 which identified the following major themes:

1. Shortage of experienced Environmental Health Officers (EHO's) in the sector.
2. Loss of direct control over services if services are provided by EHA
3. Loss of Unley 'brand' presence in the delivery services

In terms of point 1, it should be noted that the shortage of qualified and experienced EHO's available has impacted on Unley during recent recruitment processes. In contrast, the core business and single focus of EHA is Environmental Health, and this has enabled EHA to build organisational capacity through internal collaboration, peer support and mentoring within its EHO workforce. This includes the capacity to maintain core services in the event of an emergency, staff illness or staff changes. The risk of EHO shortages would be reduced with membership of EHA.

To address the issue of loss of direct control over services as stated in point 2, it is proposed that monthly reporting is provided by EHA on key statistics, such as complaints, incidents, inspections performed, enforcements issued etc. This would enable close monitoring of service provision by Council.

In terms of point 3, a communications strategy about the transition of services to EHA would be implemented to provide an overview of the service provision model between Unley and the eastern region. The Unley logo would be included on EHA literature if Unley became a constituent member council.

## **CONCLUSION**

The potential for the City of Unley to become a constituent member council of the Eastern Health Authority (EHA) has been explored with the intent that EHA provide the City of Unley with environmental health services. The Eastern Region Alliance agreement provides the strategic context for this investigation process. A number of benefits for the City of Unley have been identified.

Endorsement is sought to formally request that the City of Unley join the Eastern Health Authority as a constituent member, subject to the agreement of the current constituent Councils.

## Attachment 1

### ANALYSIS OF TOTAL ANNUAL COST FOR EHA TO DELIVER REMAINDER OF ENVIRONMENTAL HEALTH SERVICES (does not include SRF and immunisation services already provided by EHA)

<b>Net Direct Costs</b>	
Environmental Health	\$ 246 584
30 % Managers salary	\$ 33 600
<b>Total Direct Costs</b>	<b>\$ 280 184</b>

<b>Indirect Costs</b>	
Employee insurance	\$ 6 250
Long Service Leave accrual	\$ 6 200
Uniforms	\$ 1 000
Training	\$ 4 000
<b>Total Indirect Costs</b>	<b>\$ 17 450</b>

<b>Total cost to Council</b>	<b>\$ 297 634</b>
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Proposal received from EHA for full service delivery	\$ 289 668 (does not include \$100,000 for SRF and immunisation)
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Ongoing saving	\$ 7 966
Financial contribution for office refurbishment to EHA for 10 years	\$ 8 000

<b>Upfront setup cost for 2012-13</b>	
Data transfer	\$ 10 000
Equity contribution	\$ 66 666

## **DECISION REPORT**

<b>REPORT TITLE:</b>	AUDIT COMMITTEE PROPOSED MEETING SCHEDULE FOR 2012
<b>ITEM NUMBER:</b>	38
<b>DATE OF MEETING:</b>	6 December 2011
<b>AUTHOR:</b>	CAROL GOWLAND
<b>JOB TITLE:</b>	EXECUTIVE ASSISTANT TO THE CEO AND MAYOR
<b>RESPONSIBLE OFFICER:</b>	VICTORIA MINENKO
<b>JOB TITLE:</b>	GENERAL MANAGER CORPORATE SERVICES
<b>COMMUNITY GOAL:</b>	GOE/2 Generate an approach to all Council operations which maintains the principles of good governance such as public accountability, transparency, integrity, leadership, co-operation with other levels of government and social equity.
<b>REPRESENTOR/S:</b>	NIL
<b>ATTACHMENTS:</b>	NIL

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### **PURPOSE**

To obtain the endorsement of the members of the Audit Committee for the proposed dates, time and location of proposed schedule of meetings for the 2012 calendar year.

## **RECOMMENDATION**

MOVED:  
SECONDED:

That:

1. The report be received.
2. The Audit Committee meets on the following dates, at 6.00 pm in the Civic Centre, 181 Unley Road, Unley in accordance with the following schedule:

Tuesday	14 February 2012
Tuesday	8 May 2012
Tuesday	25 September 2012
Tuesday	4 December 2012

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## **BACKGROUND**

The City of Unley Audit Committee is a Section 41 Committee under the Local Government Act and in accordance with its current Terms of Reference is entitled to determine the time and location of its meetings.

## **COMMUNITY ENGAGEMENT**

There is no requirement to undertake community consultation.

## **DISCUSSION**

The proposed meeting schedule for the Audit Committee suggests a minimum of four meetings as required under the Local Government Act.

It is anticipated that there may be extra meetings required and these will be determined by the Committee during the coming 12 months.

## **ANALYSIS OF OPTIONS**

Option 1 – The City of Unley Audit Committee meets at 6.00pm in the Civic Centre at 181 Unley Road Unley in accordance with the meeting schedule below:

Tuesday	14 February 2012
Tuesday	8 May 2012
Tuesday	25 September 2012



Tuesday

4 December 2012

This meeting schedule has been set to coincide with financial requirements of Council. Additional meetings may be required and the Committee is able to set these meetings dates as required.

Option 2– The City of Unley Audit Committee determine an alternative schedule of meetings for 2012

The members of the Audit Committee may wish to vary the proposed meeting schedule.

**RECOMMENDED OPTION**

Option 1 is the recommended option.

**POLICY IMPLICATIONS**

There are no policy implications in relation to the proposed meeting schedule.

**CONCLUSION**

The proposed meeting schedule for is recommended because this date has proven to be satisfactory and will enable the Minutes to be reported to the meeting of Council in the same month.

## **CORRESPONDENCE**

<b>TITLE:</b>	CORRESPONDENCE
<b>ITEM NUMBER:</b>	39
<b>DATE OF MEETING:</b>	6 December 2011
<b>ATTACHMENTS:</b>	1. CORRESPONDENCE RECEIVED

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**MOVED:**  
**SECONDED:**

That:

The correspondence from

Dean Newbery and Partners (dated 20 October)  
Dean Newbery and Partners (dated 26 October)  
Anti Corruption Consultants

be noted.

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20 October 2011

Mayor Lachlan Clyne  
City of Unley  
PO Box 1  
**UNLEY SA 5061**

Dear Mayor Clyne

**COMPLETION OF EXTERNAL AUDIT: PROVISION OF 2011 AUDITOR'S REPORT TO COUNCIL**

Please be advised that in accordance with the requirements under the Local Government Act 1999 (the Act), we have now completed the statutory audit of the City of Unley for the financial year ended 30 June 2011.

We have enclosed the 2011 Auditor's Report which has been signed without reference to any qualification.

As required under Section 129 of the Act, we wish to advise of the following matters in conjunction with the work recently completed.

**1. No report is required to the Minister**

There is no matter arising from the audit of your Council for the year ended 30 June 2011 which we need to report to the Minister, as would otherwise be required under Section 129(6) of the Act.

**2. Audit Correspondence issued during the 2011 Financial Year**

Various audit matters have been formally communicated through our issued Management Letters to you from time to time during the year. We are satisfied that action has, or is in the process of addressing all matters previously raised.

**3. Accounting Practices and Management of the Council's Financial Affairs**

In reaching our audit opinion, we are satisfied as to the overall standard of Council's accounting practices and management of Council's financial affairs.

**4. Council's Audit Committee**

We are satisfied that Council's Audit Committee has addressed all of its prescribed functions as outlined in Section 126(4) of the Act.

**5. Auditor's Independence Declaration**

Please note that our signed Auditor Independence Declaration has been previously issued to the Chief Executive Officer, as required by Section 16A of the Local Government (Financial Management) Regulations 2011.

**6. 2011 Balance Date Audit Management Letter**

Our 2011 balance date management letter will be separately issued to you shortly, with a copy forwarded to Council's Audit Committee as is our customary practice.

Please contact me on 8267 4777 ([sam@deannewbery.com.au](mailto:sam@deannewbery.com.au)) if additional information is required.

Yours Sincerely

A handwritten signature in dark ink, appearing to read 'Samantha Allard', followed by a small dash.

**Samantha Allard**  
**Partner**

C. Council's Audit Committee.

**Enc:**

Statutory Audit Opinion 2011



26 October 2011

Mayor Lachlan Clyne  
City of Unley  
PO Box 1  
**UNLEY SA 5061**

Dear Mayor Clyne

**RE: Completion of Balance Date Audit – Financial Year Ended 30 June 2011**

As a result of the work recently completed by our audit team in connection with our final Balance date audit of your Council for the financial year ended 30 June 2011, we provide a summary of matters we wish to bring to your attention.

1. We have issued an unqualified Auditor's Report on the annual financial statements for the financial year ended 30 June 2011. This Auditor's Report has previously been issued to Council along with all completed acquittals and supplementary audit reports as requested. There were no uncorrected misstatements (individual or in aggregate) excluded from the 2011 financial statements which were assessed as being immaterial.
2. We have received appropriate explanations for all material variations as between 2010/11 budget and 2010/11 actual (operating and capital) and 2009/10 actual and 2010/11 actual (operating and capital).
3. During the 2011/12 financial year, we would welcome audit involvement in discussions with Council staff regarding internal control matters to ensure Council is aware of external audit expectations relating to the expanded scope of the external auditor per Section 129 of the Local Government Act 1999 – as you would be aware, the expanded audit scope is effective for all prescribed South Australian Council's as from 1 July 2012.
4. As previously reported in our Management Letters dated 10 April 2010 and 9 March 2011, a review of Council's methodology applied in calculating 'on-costs' should be undertaken (i.e. Internal Plant Hire, Management Overhead and Labour Overhead). In particular, the treatment of any capitalised internal charges should be examined to ensure they are being correctly treated in accordance with Australian Accounting Standard (AASB) 116 Property, Plant and Equipment. As a result of work recently completed by Business + Risk Solutions into this matter, an update of the methodology applied in calculating 'on-costs' within Council's General Ledger should be carried out and any subsequent changes in this methodology reflected in future budget reviews undertaken.
5. We have been informed by Council's Finance staff that Council is considering implementing a new corporate IT finance system with the aim of having this implemented by 1 July 2013 (this implementation date has not been confirmed given that the replacement finance system had not been selected as at the time of our visit). In considering a new corporate IT finance system, we recommend consideration be given relating to the ability and functionality of any proposed new

system has in dealing with unique transactions relating to the creation and management of assets held by Council. The new finance system should have the capabilities of performing the necessary transactions and prepare reports needed for financial reporting and strategic decision making purposes (i.e. budgeting and management reports). We would be pleased to provide any assistance or advice we can to Council relating to this matter if requested.

6. Council has undertaken asset revaluation for the following classes of assets during the 2011 financial year:

- Pathways
- Drainage, kerb and water
- Traffic and lighting
- Bridges

We congratulate Council on completing the above mentioned asset revaluations given the limited resources and timeliness in which the work was completed in. We recommend that an update of Council's Long Term Financial Plan (LTFP) and Infrastructure & Asset Management Plan (IAMP) be undertaken to ensure that the financial implications of the above valuations on financial projections (i.e. funding required for future maintenance and replacements) and targets (i.e. desired service level standards to be maintained, financial ratios, etc) remain achievable.

As disclosed in Note 7 of the Financial Statements, a number of the above named asset valuations have been undertaken internally by Council staff using both internal data (i.e. contractor prices, internal costings, etc) and external data sources (i.e. industry pricing). We recommend that continual monitoring and review of these critical variables.

## Summary

We congratulate the Council on completing all of the above noted asset valuation exercises within the 2011 financial year. We appreciate the considerable resources and effort put in by relevant staff in completing these valuations ready for the Balance date audit attendance. Given the recent information gathered from the valuations, the updates to Council's Long Term Financial Plan and Infrastructure & Asset Management Plan are necessary to ensure the ongoing funding requirements for asset maintenance and renewal works are appropriately planned for.

If any further information is required, please contact me on 8267 4777 ([sam@deannewbery.com.au](mailto:sam@deannewbery.com.au)).

Yours sincerely



**Samantha Allard**  
**Partner**

C. Council's Audit Committee  
C. Council's Chief Executive Officer



City of Unley  
Mayor Lachlan Clyne

Dear Lachlan,

I would like you to place yourself in the position of the Managers of 88 councils and 22 other governmental instrumentalities when their agency was named in the recent NSW Independent Commission Against Corruption (ICAC) into corruption within the procurement process in their agencies.

ICAC has concluded the public inquiry phase of an investigation into employees of various local councils and other public authorities who allegedly accepted benefits including cash, gift cards and other items from private suppliers in return for placing orders and maintaining an ongoing business relationship.

ICAC named three suppliers which were very active in providing "gifts" to secure orders. These were:

- Hilindi Pty Limited, trading as R&R Tape Supplies,
- Momar Australia Pty Limited, and
- NCH Australia Pty Limited

Your first action should be to find out if any of these companies have supplied your Council with any goods. If so, there will be an immediate need to closely examine the process to determine if any of your employees have been tainted by their aggressive "gift based" marketing model.

Gifts varied from liquor vouchers, holiday vouchers, wine, iPods, Parker pen sets, iPhones and a Camcorder. ICAC estimated the corruption uncovered in the course of their investigation was about \$1.5M

South Australia is not isolated from this: There have been recent media articles about the purchase of printer cartridges valued at \$161,781 (Advertiser 17 October). Similar schemes have been uncovered in Western Australia and Victoria.

**HOW SECURE** is your Council in light of these activities? **WHEN** was the last time your Council had an independent assessment of your fraud and corruption prevention framework; **HAS** the council conducted fraud and corruption training for elected members and employees?

**WHAT CAN YOU DO?**

Anti Corruption Consultants Australia can help you – my company is experienced in reviewing policies relating to Fraud and Corruption and training in anti-corruption and anti-fraud activities. I was formally the head of the Anti Corruption Branch of the South Australia Police and the Executive Director of the Investigation Division of ICAC (NSW). I am currently working with Internal Audit Bureau Services (a NSW Government Agency) as a member of their investigation panel.

I can conduct a thorough review of all relevant policies and examine recent purchases to ensure they were in the best interests of your Council. I can conduct the appropriate training to meet your needs.

You need to act now to make sure your Council has not been exposed to corruption. **CONTACT ME** on 0438888651 or [mick@acca-aust.com.au](mailto:mick@acca-aust.com.au). We can determine the best way to provide you and your community with peace of mind.

Mick Symons

Subject - <i>GOVERNANCE OFFICIALS</i>	
Property/Street	
Application No.	
Doc. No.	Class.
31 OCT 2011	
For Info/Action <i>C. Goulford</i>	

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