

Council Audit Committee Chairperson Forum

29 August 2007



Questions and answers raised by delegates

Responses provided by

Michael Kelledy (Wallmans Lawyers) and John Comrie (JAK Comrie Pty Ltd)

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- Q. Do Audit Committees have obligations to Internal Auditors?**
- A. *Not expressly but it is appropriate for the Audit Committee to guide the Internal Auditor's work program activity and to monitor outcomes.*
- Q. How can Audit Committees monitor the role of the external Auditor? Is it an express role of the external Auditor to query the Audit Committee?**
- A. *The external Auditor should consider at the time of the external audit the Audit Committee activities to see if it has met its functions.
The Audit Committee is not accountable to the external Auditor and vice versa – each is responsible to the Council.
The work of the Audit Committee can reinforce the importance of Councils Financial Statements to improve functional relevance of the statements within the organisation.*
- Q. Should the Audit Committee receive draft audit reports before completion of the financial statements?**
- A. *The Audit Committees should review the financial statements before they receive final sign off. One of the statutory functions of the Audit Committee is to review the financial statements to ensure they fairly present the affairs of the Council. This is a function entirely separate to the role of the external auditor and may be undertaken in accordance with whatever methodology the Audit Committee determines.*
- Q. What is a reasonable workload for the Audit Committee and what reasonable resources are required?**
- A. *Its not particularly onerous – meeting 4 times per year for a couple of hours should suffice to meet the legislative requirements.*
- A. *Decide what outcomes are to be achieved and how resources can be applied to the Audit Committee or otherwise in the organisation.*
- A. *It is expected the Committee will take about 2 years to bed down –It needs administration resources to assist and to provide resources relative to the Council size.*
- A. *The Audit Committee should set the program (subject to Council approval) and administration resources be provided to assist with administrative functions.*
- Q. What administrative resources should be provided?**
- A. *Competition exists for Council resources to assist the Audit Committee with the existing administrative requirements that Councils face anyway. The Audit Committee can't direct staff; however there will need to be a good working relationship with administration to assist with achieving outcomes.*
- A. *With the work program it is best to focus on the development of this early on and to develop it in consultation with staff and the Council.*

- Q. Can Council staff comment if present at the Audit Committee?**
A. *Yes – through the presiding member in the same manner as for any other Council committee meeting.*
- Q. How will the Audit Committee achieve their objectives?**
A. *There is a need to define the role and importance of the Audit Committee over and above the statutory functions – eg addressing Financial Sustainability issues and Financial Governance roles.*
- Q. How can Audit Committees make sure the objectives they are working toward are understood? Eg are we providing what's right?**
A. *The committee should look at the general policy required by Council and make sure that Council objectives are being achieved. Don't get into the minute detail.*
- Q. Should the Audit Committee look at quarterly budget reviews?**
A. *It's not particularly important to do so., However, the Audit Committee should maintain general awareness of what's happening and what Council is doing.*
- Q. Are there any issues or differences between having an independent committee Chair or an Elected Member as chair?**
A. *The main issue is getting the value and importance of the Audit Committee information back to Council.
Independents can bring financial sustainability knowledge and credibility. An Independent can be impartial to issues.
It really depends on the Council environment as both (independent chair or elected member chair) have merit.*
- Q. Are there any issues with confidentiality**
A. *It is difficult for Audit Committee to go into confidence by reliance on the grounds at Section 90(3) of the Act given the general nature of its functions.*

Discussion

Forum participants were generally interested in hearing how Councils have set up their Audit Committees and what processes have been undertaken. Yankalilla and Adelaide City Councils were able to provide the following information

Yankalilla

- *The committee set the agenda they wanted to achieve.*
- *Gathered information on what Councils had.*
- *Identified if they were targeting big issues.*
- *Identified work plans and terms of reference.*
- *The Committee asked what are the time tables required to meet needs*
- *Set out 3 year plan.*

Adelaide City Council

- *The Audit Committee has undertaken an orientation program for members to understand the Terms of Reference of the Committee.*
- *They have also established an action plan and calendar of events to meet Council business cycles.*

A Council CEO was also able to provide an executive management perspective of Audit Committees.

- *Anticipates that it will take, say 2/3 years for the committee structure to bed down.*
- *The financial governance knowledge base of Elected Members is increasing and this will assist Council as well as the Audit Committee.*
- *Administration will use the committee as a resource to channel information back to Council.*
- *The challenge for the committee will be to overcome the tendency to want to look at the detail. .*

General Discussion items

Is there a need for more overarching reporting from external auditors, eg about how asset management is being undertaken by the Council and how accounting processes are being undertaken?

Do current reports from Auditors provide full analysis of Councils financial activities with recommendations? Would it be valuable if it did provide full analysis? e.g. for a good practice report with identified specific analysis that would be common across all Councils?

A. Yes

Should details of external audit appointments be made available in the minutes or can they be kept confidential

A. *The appointments, once made, are public and cannot be kept confidential. The issue is whether to keep personal information confidential rather than the appointments.*

Are there any examples of policies and procedures such as "Whistle Blowing" used by an Audit Committee?

A. *This is a matter that the LGA Governance Advisory Committee is considering. Information will be provided when available.*

Are there any examples of the annual reporting documents that an Audit Committee might make to the Council?

A. *This is a matter being further considered by the LGA.*