



Audit Committee Meeting

30 November 2016



local councils working together to protect the health of the community



**EASTERN HEALTH AUTHORITY
AUDIT COMMITTEE MEETING**

WEDNESDAY 30 November 2016

Notice is hereby given that a meeting of the Audit Committee of Eastern Health Authority will be held at EHA's offices at **101 Payneham Road, St Peters** on Wednesday 30 November 2016 commencing at 5.30 pm.

A light meal will be served at 5.00pm.

A handwritten signature in black ink, appearing to read 'Michael Livori', is positioned above the printed name and title.

**MICHAEL LIVORI
CHIEF EXECUTIVE OFFICER**



AGENDA

EASTERN HEALTH AUTHORITY AUDIT COMMITTEE MEETING

WEDNESDAY 30 November 2016
Commencing at 5.30 pm

1	Opening	
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5.1 FINANCE REPORT AND FIRST (SEPTEMBER 2016) BUDGET REVIEW FOR 2016/2017

Author: Michael Livori
Ref: AF16/13

Summary

So that the Board of Management can ensure that Eastern Health Authority (EHA) is operating according to its adopted budget, financial performance is regularly monitored and statutory budget reviews are considered.

The first of the statutory budget reviews which relates to the financial performance of EHA between 1 July 2016 and 30 September 2016 was considered by the Board of Management at its meeting held on 26 October 2016.

Report

The report below gives a simple analysis of year to date income, expenditure and operating result.

Eastern Health Authority - Financial Statement (Level 1)				
1 July 2016 to 30 September 2016				
	Actual	Budgeted	\$ Variation	% Variation
Total Income	\$ 907,200	\$ 946,028	\$ (38,828)	-4%
Total Expenditure	\$ 570,014	\$ 585,335	\$ (15,321)	-3%
Operating Result	\$ 337,186	\$ 360,693	\$ (23,507)	-7%

The report shows that for the reporting period income was \$38,828 (-4%) less than budgeted and expenditure was \$15,321 (-3.0%) less than budgeted.

The net result is a variation of -7% (\$23,507) on the budgeted year to date comparative operating result.

A more detailed report is provided as attachment 1. The report provides detail on year to date performance of individual budget lines. Any variation greater than \$5,000 is detailed in the table on the following pages with explanatory comments.

Summary Table of Funding Statement Variations Required				
Favourable variances are shown in black and unfavourable variances are shown in red .				
Description	YTD Budget	YTD Actual	Variation	Comment
Income				
Fines and Expiations	\$22,500	\$212	(\$22,288)	Decrease in expiations issued. No variation requested at this point in time.
Non Funded Vaccines	\$13,750	\$7,247	(\$6,503)	Decrease in vaccines purchased at clinics, offset by decrease in vaccine expenditure. No variation requested at this point in time.
Expenditure				
Employee Costs	\$379,500	\$372,559	(\$6,941)	EB agreement not yet finalised.
Non Funded Vaccines	\$9,500	\$4,354	(\$5,146)	Decrease in vaccines purchased at clinics, offset by decrease in vaccine income. No variation requested at this point in time.
Website Upgrade	\$0	\$9,305	\$9,305	Website project funded in 2015/2016 budget and not completed. 12K required to complete project as per report in Item 6.3 of August 2016 Board Report. Variation to be requested at project completion.

The first review for the financial year is also required to take into account any differences between the adopted budgeted financial statements for 2016/2017 and the audited financial statements for the previous year. Some elements of the adopted budget for 2016/2017 are based on the previous year's budget as this is the most reliable data available at the time of compilation.

The variations resulting from the use of the audited financial statements for 2015/2016 have been incorporated into a revised budgeted financial statement for 2016/2017.

The variations do not alter the estimated budget result of \$0 (breakeven). A summary of the variations requested within the Financial Statements are provided in the following tables.

Revised Statement of Cash Flows				
	Adopted Budget	Variation	Revised Budget	Comment
Net Increase (Decrease) In Cash Held				
Cash and Cash Equivalents at Beginning of Reporting period	589,971	(8,816)	581,155	Audited Statements
Cash and Cash Equivalents at End of Reporting period	559,719	(8,816)	550,903	
Revised Statement of Financial Position				
	Adopted Budget	Variation	Revised Budget	Comment
Current Assets				
Cash and Cash Equivalents	559,719	(8,816)	550,903	Audited Statements
Trade and other Receivables	162,272	(4,246)	158,026	Audited statements
Total Current Assets	721,991	(13,916)	(13,062)	
Non-Current Assets				
Equipment	331,873	61,476	393,349	Audited statements
Total Non-Current Assets	331,873	61,476	393,349	
Total Assets	1,053,864	48,414	1,102,278	
Current Liabilities				
Trade and other Payables	108,708	(12,853)	95,855	Audited statements
Provisions	236,220	22,788	259,008	Audited statements
Total Current Liabilities	403,551	9,935	413,486	
Non-Current Liabilities				
Provisions	41,662	(8,455)	33,207	Audited statements
Total Non-Current Liabilities	359,614	(8,455)	351,159	
Total Liabilities	763,165	1,480	764,645	
Net Assets	290,699	46,934	337,633	
Equity				
Accumulated Surplus/(Deficit)	290,699	46,934	337,633	Audited statements
Total Equity	290,699	46,934	337,633	

Revised Statement of Change in Equity				
	Adopted Budget	Variation	Revised Budget	Comment
Accumulated Surplus				
Balance at Beginning of Period	290,699	46,934	337,633	Audited statements
Balance at End of Period	290,699	46,934	337,633	
Total Equity	290,699	46,934	337,633	

Included as Attachment 2 is a copy of the revised 2016/2017 Budgeted Statutory Financial Statements which include the:

- Statement of Comprehensive Income
- Revised Statement of Cash flows
- Revised Statement of Financial Position
- Revised Statement of Changes in Equity

A Bank Reconciliation and Available Funds report for the period ending 30 September 2016 is provided as attachment 3. It shows that at 30 September 2016 available funds were \$674,557 in comparison with \$492,234 on 30 June 2016. This change is due to the receipt of half yearly Constituent Council contributions.

Pursuant to clause 25 (3) of Schedule 2 of the *Local Government Act 1999*, EHA must seek approval from its Constituent Councils before amending its budget. A written request for the approval of the amendments has been sent to all Constituent Councils accompanied by the proposed amendments.

If the Constituent Councils grant approval then EHA may officially resolve to amend the budget and upon making that resolution, the amended budget will be effective.

RECOMMENDATION

That:

The Finance Report and First (September 2016) Budget Review for 2016/2017 report is received.

Eastern Health Authority - Financial Statement (Level 3)				
1 July 2016 to 30 September 2016				
Income	Actual	Budgeted	\$ Variation	% Variation
Constituent Council Income				
City of Burnside	\$209,564	\$209,564	\$0	0%
City of Campbelltown	\$189,513	\$189,513	\$0	0%
City of NPS	\$257,661	\$257,661	\$0	0%
City of Prospect	\$110,476	\$110,476	\$0	0%
Town of Walkerville	\$53,314	\$53,314	\$0	0%
Total Constituent Council Contributions	\$ 820,528	\$ 820,528	\$ -	0%
Statutory Charges				
Food Inspection fees	\$15,829	\$20,000	(-\$4,171)	-21%
Legionella registration and Inspection	\$2,727	\$4,750	(-\$2,023)	-43%
SRF Licenses	\$350	\$0	\$350	0%
Fines	\$212	\$22,500	(-\$22,288)	-99%
Total Statutory Charges	\$ 19,118	\$ 47,250	\$ (28,132)	-60%
User Charges				
Immunisation - non funded vaccines	\$7,247	\$13,750	(-\$6,503)	-47%
Immunisation - Worksites	\$0	\$0	\$0	0%
Food Auditing	\$14,127	\$14,500	(-\$373)	-3%
City of Unley	\$22,500	\$22,500	\$0	0%
Food Safety Training	\$0	\$0	\$0	0%
Total User Charges	\$ 43,874	\$ 50,750	\$ (6,876)	-14%
Grants, Subsidies, Contributions				
School Based immunisation Program	\$0	\$0	\$0	0%
Child Immunisation register	\$20,744	\$20,000	\$744	4%
Total Grants, Subsidies, Contributions	\$ 20,744	\$ 20,000	\$ 744	4%
Investment Income				
Interest on investments	\$1,546	\$5,000	(-\$3,454)	-69%
Total Investment Income	\$ 1,546	\$ 5,000	\$ (3,454)	-1%
Other Income				
Motor Vehicle re-imbursments	\$1,262	\$1,000	\$262	26%
Sundry Income	\$128	\$1,500	(-\$1,372)	-91%
Total Other Income	\$ 1,390	\$ 2,500	\$ (1,110)	-44%
Total of non Constituent Council Income	\$ 86,672	\$ 125,500	\$ (38,828)	-31%
Total Income	\$ 907,200	\$ 946,028	\$ (38,828)	-4%

Eastern Health Authority - Financial Statement (Level 3)				
1 July 2016 to 30 September 2016				
Expenditure	Actual	Budgeted	\$ Variation	% Variation
Employee Costs				
Salaries & Wages	\$326,881	\$336,500	\$ (9,619)	-3%
Superannuation	\$30,248	\$29,000	\$ 1,248	4%
Workers Compensation	\$15,430	\$14,000	\$ 1,430	10%
Total Employee Costs	\$ 372,559	\$ 379,500	\$ (6,941)	-2%
Prescribed Expenses				
Auditing and Accounting	\$5,500	\$5,500	\$ -	0%
Insurance	\$26,675	\$27,000	\$ (325)	-1%
Maintenance	\$8,574	\$11,250	\$ (2,676)	-24%
Vehicle Leasing/maintenance	\$16,141	\$15,000	\$ 1,141	8%
Total Prescribed Expenses	\$ 56,889	\$ 58,750	\$ (1,861)	-17%
Rent and Plant Leasing				
Electricity	\$1,945	\$2,500	\$ (555)	-22%
Plant Leasing Photocopier	\$871	\$800	\$ 71	9%
Rent	\$25,137	\$25,500	\$ (363)	-1%
Water	\$65	\$0	\$ 65	0%
Gas/Emergency Services Levy	\$1,213	\$0	\$ 1,213	0%
Total Rent and Plant Leasing	\$ 29,232	\$ 28,800	\$ 432	1%
IT Licensing and Support				
IT Licences	\$7,826	\$8,000	\$ (174)	-2%
IT Support	\$11,472	\$11,000	\$ 472	4%
Internet	\$2,833	\$3,000	\$ (167)	-6%
IT Other	\$3,234	\$500	\$ 2,735	547%
Total IT Licensing and Support	\$ 25,365	\$ 22,500	\$ 2,865	13%
Administration				
Administration Sundry	\$1,011	\$1,750	\$ (739)	-42%
Accreditation Fees	\$4,559	\$4,000	\$ 559	14%
Board of Management	\$7,009	\$7,000	\$ 9	0%
Bank Charges	\$1,012	\$750	\$ 262	35%
Public Health Sundry	\$818	\$1,250	\$ (432)	-35%
Fringe Benefits Tax	\$4,922	\$3,750	\$ 1,172	31%
Health promotion	\$0	\$1,250	\$ (1,250)	-100%
Legal	\$2,247	\$5,000	\$ (2,753)	-55%
Printing & Stationery & Postage	\$3,023	\$7,500	\$ (4,477)	-60%
Telephone	\$3,938	\$3,750	\$ 188	5%
Work Health Safety & Injury Management	\$0	\$0	\$ -	0%
Rodenticide	\$98	\$500	\$ (402)	-80%
Staff Amenities	\$697	\$1,750	\$ (1,053)	-60%
Staff Training	\$971	\$5,500	\$ (4,529)	-82%
Human Resource Sundry	\$0	\$4,000	\$ (4,000)	-100%
Doubtful Debts Expense	\$0	\$0	\$ -	0%
Total Administration	\$ 30,306	\$ 47,750	\$ (17,444)	-37%

Eastern Health Authority - Financial Statement (Level 3 cont.) 1 July 2016 to 30 September 2016				
Expenditure	Actual	Budgeted	\$ Variation	% Variation
Immunisation				
Immunisation SBP Consumables	\$4,151	\$4,200	\$ (49)	-1%
Immunisation clinic vaccines	\$4,354	\$9,500	\$ (5,146)	-54%
Immunisation worksite vaccines	\$0	\$0	\$ -	0%
Total Immunisation	\$ 8,504	\$ 13,700	\$ (5,195)	-38%
Uniforms/Income protection				
Income Protection	\$18,997	\$15,000	\$ 3,997	27%
Total Uniforms/Income protection	\$ 18,997	\$ 15,000	\$ 3,997	27%
Sampling				
Legionella Testing	\$1,428	\$2,000	\$ (572)	-29%
Food Sampling	\$0	\$250	\$ (250)	0%
Total Sampling	\$ 1,428	\$ 2,250	\$ (822)	-37%
New Initiatives				
Website Upgrade	\$9,305	\$0	\$ 9,305	0%
Total New Initiatives	\$ 9,305	\$ -	\$ 9,305	0%
Total Materials, contracts and other expense	\$ 180,026	\$ 188,750	\$ (8,724)	-5%
Depreciation	\$ 7,093	\$ 7,093	\$ -	0%
Finance Costs	\$ 10,336	\$ 9,992	\$ 344	3%
Total Operating Expenditure	\$ 570,014	\$ 585,335	\$ (15,321)	-3%
Total Operating Income	\$ 907,200	\$ 946,028	\$ (38,828)	-4%
Operating Result	\$ 337,186	\$ 360,693	\$ (23,507)	-7%

EASTERN HEALTH AUTHORITY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2017				
ACTUAL 2015/2016		ADOPTED BUDGET 2016/2017	SEPTEMBER REVIEW	REVISED BUDGET 2016/2017
\$	INCOME	\$	\$	\$
1,609,306	Council Contributions	1,641,055	-	1,641,055
114,802	Statutory Charges	193,000	-	193,000
342,110	User Charges	341,000	-	341,000
121,815	Grants, subsidies and contributions	124,500	-	124,500
15,304	Investment Income	20,000	-	20,000
11,439	Other Income	10,000	-	10,000
2,214,776	TOTAL INCOME	2,329,555	-	2,329,555
	EXPENSES			
1,483,167	Employee Costs	1,543,000	-	1,543,000
643,081	Materials, contracts and other expenses	738,200	-	738,200
45,098	Depreciation	28,371	-	28,371
21,463	Finance Charges	19,984	-	19,984
2,192,809	TOTAL EXPENSES	2,329,555	-	2,329,555
21,967	Operating Surplus/(Deficit)	-	-	-
-	Net gain (loss) on disposal of assets	-	-	-
21,967	Net Surplus/(Deficit)	-	-	-

EASTERN HEALTH AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE 2016				
ACTUAL 2015/2016		ADOPTED BUDGET 2016/2017	SEPTEMBER REVIEW	REVISED BUDGET 2016/2017
	\$		\$	\$
	CASHFLOWS FROM OPERATING ACTIVITIES			
	<u>Receipts</u>			
1,770,237	Council Contributions	1,805,161	-	1,805,161
240,932	Fees & other Charges	212,300	-	212,300
377,146	User Charges	371,690	-	371,690
15,304	Investment Receipts	20,000	-	20,000
121,815	Grants utilised for operating purposes	124,500	-	124,500
12,583	Other	11,000	-	11,000
	<u>Payments</u>			
(1,458,250)	Employee Costs	(1,543,000)	-	(1,543,000)
(984,254)	Material, contracts and other expenses	(953,296)	-	(953,296)
(22,672)	Finance (Interest) Expense	(19,984)	-	(19,984)
72,841	Net Cash Provided/(Used) by Operating Activities	28,371	-	28,371
	CASH FLOWS FROM INVESTING ACTIVITIES			
	<u>Receipts</u>			
-	Sale of Replaced Assets	-	-	-
	<u>Payments</u>			
(25,723)	Expenditure on renewal / replacements of assets	-	-	-
-	Expenditure on new / upgraded assets	-	-	-
(200,000)	Distributions paid to constituent Councils	-	-	-
(225,723)	Net Cash Provided/(Used) by Investing Activities	-	-	-
	CASH FLOWS FROM FINANCING ACTIVITIES			
-	Loans Received	-	-	-
(55,934)	Loan Repayments	(58,623)	-	(58,623)
(55,934)	Net Cash Provided/(Used) by Financing Activities	(58,623)	-	(58,623)
(208,816)	NET INCREASE (DECREASE) IN CASH HELD	(30,252)	-	(30,252)
789,971	CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD	589,971	(8,816)	581,155
581,155	CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	559,719	(8,816)	550,903

EASTERN HEALTH AUTHORITY STATEMENT OF FINANCIAL POSITION				
FOR THE YEAR ENDING 30 JUNE 2016				
ACTUAL 2015/2016		ADOPTED BUDGET 2016/2017	SEPTEMBER REVIEW	REVISED BUDGET 2016/2017
	ASSETS			
	CURRENT ASSETS			
\$		\$	\$	\$
581,155	Cash and Cash Equivalents	559,719	(8,816)	550,903
158,026	Trade & Other Receivables	162,272	(4,246)	158,026
-	Other	-		-
739,181	TOTAL CURRENT ASSETS	721,991	(13,062)	708,929
	NON-CURRENT ASSETS			
421,720	Equipment	331,873	61,476	393,349
-	Other	-	-	-
421,720	TOTAL NON-CURRENT ASSETS	331,873	61,476	393,349
1,160,901	TOTAL ASSETS	1,053,864	48,414	1,102,278
	LIABILITIES			
	CURRENT LIABILITIES			
95,855	Trade & Other Payables	108,708	(12,853)	95,855
58,623	Borrowings	58,623		58,623
259,008	Provisions	236,220	22,788	259,008
-	Other	-		-
413,486	TOTAL CURRENT LIABILITIES	403,551	9,935	413,486
	NON-CURRENT LIABILITIES			
376,575	Borrowings	317,952		317,952
33,207	Provisions	41,662	(8,455)	33,207
409,782	TOTAL NON-CURRENT LIABILITIES	359,614	(8,455)	351,159
823,268	TOTAL LIABILITIES	763,165	1,480	764,645
337,633	NET ASSETS	290,699	46,934	337,633
	EQUITY			
337,633	Accumulated Surplus/(Deficit)	290,699	46,934	337,633
337,633	TOTAL EQUITY	290,699	46,934	337,633

EASTERN HEALTH AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2016				
ACTUAL 2015/2016		ADOPTED BUDGET 2016/2017	SEPTEMBER REVIEW	REVISED BUDGET 2016/2017
	ACCUMULATED SURPLUS	\$	\$	\$
515,666	Balance at beginning of period	290,699	46,934	337,633
21,967	Net Surplus/(Deficit)	-	-	-
(200,000)	Distribution to Constituent Councils	-	-	-
337,633	Balance at end of period	290,699	46,934	337,633
337,633	TOTAL EQUITY	290,699	46,934	337,633

Eastern Health Authority			
Bank Reconciliation as at 30 September 2016			
Bank SA Account No. 141/0532306840			
Balance as per Bank Statement 30 September 2016			\$58,219.17
Plus Outstanding cheques	\$	-	
Add Outstanding deposits	\$	-	
BALANCE PER General Ledger			<u>\$58,219.17</u>
GST October - September 2016			
GST Collected	\$88,067.60		
GST Paid	<u>\$19,394.89</u>		
Net GST Claimable (Payable)	<u><u>\$68,672.71</u></u>		
Funds Available September 2016			
Account	30-Sep-16	30-Jun-16	Variance
Bank SA Cheque Account	\$ 58,219	\$ 172,555	(\$114,336)
Local Government Finance Authority	\$ 955,472	\$ 565,861	\$389,611
Net GST Claimable (Payable)	(\$68,673)	(\$2,940)	(\$65,733)
Long Service Leave Provision	(\$160,957)	(\$162,135)	\$ -
Annual Leave Provision	(\$109,504)	(\$81,108)	\$ -
TOTAL FUNDS	\$ 674,557	\$ 492,234	\$182,324

5.2 EXTERNAL AUDIT MANAGEMENT LETTER FOR THE YEAR ENDED 30 JUNE 2016

Author: Michael Livori
Ref: AF16/1

Summary

An External Audit Management letter relating to the financial year ending 30 June 2016 has been received from Eastern Health Authority's (EHA) external auditors Dean Newbery and Partners.

Report

The External Audit Management letter (copy of letter provided as attachment 1) details that the audit of EHA for the year ended 30 June 2016 has been completed and that an Audit Report has been issued without reference to any qualification (copy of Audit Report included in attachment 1).

The auditors advised that they met with EHA's Audit Committee on 17 August 2016 and communicated all of their Audit findings to the Members present.

A summary of the key matters brought to the attention of the committee as a result of work completed is as follows:

1. *There remain no misstatements that have not been adjusted by the Administration that have been identified during the course of our audit or that in our assessment, require to be reported to the EHA's Board or Audit Committee.*
2. *Any misstatements, either individually or in aggregate, that are considered to be immaterial, have not been reported and regarded as being minor in the context of the financial report as a whole.*
3. *All requested audit adjustment have been processed and disclosures within the financial report appropriately modified based on audit testing completed.*
4. *All requested information has been provided by the Administration during the course of the audit.*
5. *Audit findings revealed a material change was required to the Asset Register and depreciation schedule resulting in a \$43,000 decrease in depreciation expense.*
6. *The Auditor recommends that EHA considers the potential impact of future changes to Accounting Standards existing accounting policies which may have an impact on EHA in future periods. Notably, the following changes introduced are of relevance to EHA for further consideration:*
 - *AASB 9 Financial Instruments (commencing 1 January 2018)*
 - *AASB 15 Revenue from customer with contracts (commencing 1 January 2018)*
 - *AASB 16 Leases (commencing 1 January 2019)*

- *AASB 124 Related Party Disclosures (commencing 1 July 2016)*

The above changes to Accounting Standards will be required to be reflected in future updates to the industry Model Financial Statements template. Should EHA's Administration require further support with addressing this matter, we are happy to provide further assistance.

In accordance with the Audit Committee Terms of Reference the External Audit Management letter should be considered by the Audit Committee and any recommendations contained within the letter should be monitored by the committee to ensure that they are appropriately considered and managed.

RECOMMENDATION

That:

The report regarding the External Audit Management Letter for the year ending 30 June 2016 is received.

11 October 2016

Cr Sue Whittington
Chairperson
Eastern Health Authority
PO Box 275
STEPNEY SA 5069

Dear Cr Whittington

RE: External Audit Management Letter – Financial Year Ended 30 June 2016

We have recently completed our external audit of the Eastern Health Authority (EHA) for the financial year ended 30 June 2016 and have issued an Audit Report without reference to any qualification.

This report has been prepared for EHA's Board in accordance with the requirements under Australian Auditing Standard (ASA) 260 *Communication with Those Charged with Governance* and ASA 265 *Communicating Deficiencies in Internal Controls to Those Charged with Governance and Management* as well as Section 129 of the *Local Government Act 1999*.

This summarises the significant matters that have arisen from our Balance Date audit of EHA for the financial year ended 30 June 2016.

We met with EHA's Audit Committee on Wednesday 17 August 2016 and communicated all of our audit findings to the Members present.

A summary of the key matters we wish to bring to your attention as a result of work completed is as follows:

1. There remain no misstatements that have not been adjusted by the Administration that have been identified during the course of our audit or that in our assessment, require to be reported to EHA's Board or Audit Committee.
2. Any misstatements, either individually or in aggregate, that are considered to be immaterial, have not been reported and regarded as being minor in the context of the financial report as a whole.
3. All requested audit adjustment have been processed and disclosures within the financial report appropriately modified based on audit testing completed.
4. All requested information has been provided by the Administration during the course of the audit.
5. Audit findings revealed a material change was required to the Asset Register and depreciation schedule resulting in a \$43,000 decrease in the depreciation expense.

6. We recommend EHA considers the potential impact of future changes to Accounting Standards existing accounting policies which may have an impact on EHA in future periods. Notably, the following changes introduced are of relevance to EHA for further consideration:

- AASB 9 Financial Instruments (commencing 1 January 2018)
- AASB 15 Revenue from customer with contracts (commencing 1 January 2018)
- AASB 16 Leases (commencing 1 January 2019)
- AASB 124 Related Party Disclosures (commencing 1 July 2016)

The above changes to Accounting Standards will be required to be reflected in future updates to the industry Model Financial Statements template. Should EHA's Administration require further support with addressing this matter, we are happy to provide further assistance.

Summary

I would like to extend my appreciation to the Administration for their cooperation and support provided to the audit team during the course of completing the audit.

Should you require any further information, please contact me on 8267 4777 or jimkeogh@deannewbery.com.au.

Yours sincerely

DEAN NEWBERY & PARTNERS



Jim Keogh
Partner

C. Authority's Chief Executive Officer

C. Authority's Audit Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE EASTERN HEALTH AUTHORITY

We have audited the accompanying financial report of the Eastern Health Authority (the Authority), which comprises the Statement of Financial Position as at 30 June 2016, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Chief Executive Officer.

The Responsibility of the Chief Executive Officer for the Financial Report

The Chief Executive Officer of the Authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud and error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for an audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Local Government Act 1999 and Local Government (Financial Management) Regulations 2011 and the Australian professional ethical pronouncements.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Eastern Health Authority as of 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and the Australian Accounting Standards (including Australian Accounting Interpretations).

DEAN NEWBERY & PARTNERS
CHARTERED ACCOUNTANTS



JIM KEOGH
PARTNER

Signed on the 11th day of October 2016,
at 214 Melbourne Street, North Adelaide, South Australia 5006.

5.3 EASTERN HEALTH AUTHORITY AUDIT COMMITTEE TERMS OF REFERENCE

Author: Michael Livori
Ref: AF12/195

Summary

EHA has previously developed Terms of Reference (ToR) for its Audit Committee. This report considers amendments to the ToR based on recommendations received from the committee.

Report

The Audit Committee is a formally constituted Committee of EHA pursuant to Clause 30 of Schedule 2 to the Local Government Act 1999, and is responsible to EHA. The Committee's role is to report to EHA and provide appropriate advice and recommendations on matters contained within its Terms of Reference (ToR).

A number of amendments and additions to the ToR are proposed and have been detailed below.

- Addition of clause 1 Establishment of the Audit Committee
- Deletion of clause 2.1
- Addition of clause 2.9
- Addition of clause 3 Authority
- Addition of clauses 5.2 and 5.3
- Addition of clause 9 Conduct of Meetings
- Addition of clause 10.1 Financial Reporting and Sustainability
- Addition of clause 10.2 Risk Management and Internal Control
- Addition to clause 10.3 title to 'Whistleblowing and Fraud'
- Amendment of clause 10.4.2
- Addition of clause 10.6 Policy Development
- Addition of clause 12 Annual Review and Reporting to Board

An amended copy of the ToR which includes the above changes is provided as attachment 1 to this report. A copy of the original ToR with these changes tracked is provided as attachment 2 to this report.

RECOMMENDATION

That:

- 1 The report regarding the Eastern Health Authority Audit Committee Terms of Reference is received.
- 2 The Eastern Health Authority Audit Committee Terms of Reference as amended and as detailed in attachment 1 to this report are presented to the Board of Management for adoption.



EHA Audit Committee TERMS OF REFERENCE

The document on EHA's Records Management System is considered to be the current and controlled version. Before using a printed copy, verify that it is the current version.

EHA Audit Committee

TERMS OF REFERENCE

1. ESTABLISHMENT OF THE AUDIT COMMITTEE

- 1.1. Pursuant to Section 41 and Section 126 of the Local Government Act 1999 (as amended) EHA as a subsidiary of Council establishes a Committee to be known as the Audit Committee (“the Committee”) for the purpose of:
 - 1.1.1. Assisting EHA in fulfilling its oversight responsibilities relating to accounting, audit, legislative compliance, financial and operational risk management, good governance and reporting practices; and
 - 1.1.2. Administration and External Auditor; in accordance with the Local Government Act 1999 (as amended) and other relevant ensuring effective communication between the Board, legislation.

2. MEMBERSHIP

- 2.1. Committee Members of the Committee are appointed by EHA. The Committee shall comprise three members consisting of two independent members and one Board Member.
- 2.2. Independent Members of the Committee shall have extensive and relevant financial management, risk management or internal audit qualifications and experience.
- 2.3. Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for a decision.
- 2.4. In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public. The agenda and minutes of the Committee meetings, subject to any items that are discussed in confidence under Section 90 of the Act and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.
- 2.5. Individual members of EHA’s administration staff, such as the Chief Executive Officer and Senior Staff may attend any meeting as observers or be responsible for preparation of papers for the Committee.
- 2.6. EHA’s external auditor may also be invited to attend meetings of the Committee, as appropriate.
- 2.7. Appointments to the Committee shall be for a period of two years. At the expiration of this period all positions will be declared vacant and nominations will be sought for another two year term. Appointees may be reappointed by EHA through this process.
- 2.8. The Presiding Member of the Committee will be one of the independent members and will be appointed by the Audit Committee for the term of the

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Committee. In the absence of the chairperson the Committee will appoint one of the other members as Acting Presiding Member for the duration of the meeting.

- 2.9. The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

3. AUTHORITY

- 3.1. The Committee has the following authority from the Board:
 - 3.1.1. Confirm minutes of a previous meeting as a true and accurate record of proceedings;
 - 3.1.2. Set meeting times / dates; and
 - 3.1.3. Receive Information Reports and provide feedback and input into development of policies and documents put before the Committee, prior to them being recommended to Board. The Committee has no authority to act independently of the Board. The Committee is authorised by the Board to undertake work efficiently and effectively to meet the objectives described by its Establishment and Terms of Reference.
- 3.2. The Committee will have no standing financial delegations. If required for a specific purpose, these will be sought from the Board at the time or where appropriate through the Chief Executive Officer's delegation.
- 3.3. The Committee shall act at all times in strict accordance with relevant legislation (being the Local Government Act 1999 [as amended] and associated Regulations) and with written policies, guideline, protocols and charter of the Board, which are relevant to the Committee in the performance of its functions.
- 3.4. All decisions of the Committee will be referred to the Board as recommendations of the Committee. The reporting of the decisions of the Committee to the Board in this manner is sufficient to satisfy the reporting and accountability requirements of the Board.

4. SECRETARIAL RESOURCES

- 4.1. The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

5. QUORUM

- 5.1. The quorum necessary for the transaction of business shall be 2 members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 5.2. All decisions of the Committee shall be made on the basis of a majority decision of the members present.

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- 5.3. Only members of the Committee, or a Board Member's proxy, if appointed for a meeting, are entitled to vote in Committee meetings.

6. Frequency of Meetings

- 6.1. The Committee shall meet at least twice per annum. The Committee can meet otherwise as required, and as approved by the Chairperson.

7. Notice of Meetings

- 7.1. Ordinary meetings of the Committee will be held at times and places determined by EHA or, subject to a decision of EHA, the Committee. EHA recognised that the EHA Audit Committee can determine the time and place of its meetings at a meeting held on 1 February 2012 at Item 7.9. A special meeting of the Committee may be called in accordance with the Act.
- 7.2. Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and observers, no later than three clear business days before the date of the meeting. Supporting papers shall be sent to Committee members (and to other attendees as appropriate) at the same time.

8. Minutes of Meetings

- 8.1. The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, are minuted and that the minutes otherwise comply with the requirements of the Local Government (Procedure at Meetings) Regulations 2000.
- 8.2. Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and to all members of EHA and will (as appropriate) be available to the public.

9. CONDUCT OF MEETINGS

- 9.1. The Committee shall conduct its meetings in accordance with Part 2 of the Local Government (Procedures at Meetings) Regulations 2000 (as amended).
- 9.2. The Committee will develop, maintain and implement a work plan, which will serve the purpose of a forward agenda detailing the proposed agenda items and meeting dates.

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10. ROLE OF THE COMMITTEE

10.1. Financial Reporting and Sustainability

The Committee Shall:

- 10.1.1. Monitor the integrity of the financial statements of EHA, including its annual report, reviewing significant financial reporting issues and judgements which they contain.
- 10.1.2. Review and challenge where necessary:
- 10.1.3. Review the consistency of, and/or any changes to, accounting policies;
- 10.1.4. Review the methods used to account for significant or unusual transactions where different approaches are possible;
- 10.1.5. Review whether EHA has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 10.1.6. Review the clarity of disclosure in EHA's financial reports and the context in which statements are made; and
- 10.1.7. Review all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (in so far as it relates to audit and risk management).
- 10.1.8. Review and make recommendations to the Board regarding the assumptions, financial ratios and financial targets in the Long Term.
- 10.1.9. Provide commentary and advice on the financial sustainability of EHA and any risks in relation to, as part of the adoption of the Long Term Financial Plan, Annual Budget and periodic Budget Reviews.
- 10.1.10. Review and make recommendations to the Board regarding any other significant financial, business efficiency or innovation, accounting and reporting issue as deemed necessary by the Committee, Board or Administration.
- 10.1.11. Consider and provide comment on the financial and risk related issues associated with any EHA business referred to it by the Board for such comment.

10.2. Risk Management and Internal Control

The Committee shall:

- 10.2.1. Monitor and review the performance and adequacy of EHA's Risk Management Program and Framework for identifying, monitoring and managing significant business risks, including Work Health and Safety and EHA's Business Continuity Plan.
- 10.2.2. Review and recommend the approval, where appropriate, of statements to be included in the annual report of concerning internal controls and risk management.

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10.3. Whistle Blowing and fraud

- 10.3.1. The Committee shall review EHA's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

10.4. Internal Audit

The Committee :

- 10.4.1. Discuss and approve the Internal Audit Program, if one is required and consider appropriate resourcing;
- 10.4.2. Monitor and review the effectiveness of EHA's internal audit processes in the context of EHA's overall risk management system;
- 10.4.3. Review internal audit reports, consider recommendations and review and monitor reports on EHA's operations from the internal auditor
- 10.4.4. Review and monitor management's responsiveness to the findings and recommendations

10.5. External Audit

The Committee shall:

- 10.5.1. Monitor and review the effectiveness of EHA's external audit function;
- 10.5.2. Consider and make recommendation on the program of the external audit function;
- 10.5.3. Review the external auditor's report on the preparation of EHA's end of year financial statements;
- 10.5.4. Review any reports on EHA's operations prepared by the external auditor;
- 10.5.5. Review and monitor management's responsiveness to the findings and recommendations of the external auditor;
- 10.5.6. Consider and make recommendations to EHA, in relation to the appointment, re-appointment and removal of EHA's external auditor, including where the auditor resigns during the period of appointment.
- 10.5.7. Oversee EHA's relationship with the external auditor including, but not limited to:
 - 10.5.7.1. recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - 10.5.7.2. recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;

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- 10.5.7.3. assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of EHA's relationship with the auditor, including the provision of any non-audit services;
- 10.5.7.4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and EHA (other than in the ordinary course of business);
- 10.5.7.5. monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
- 10.5.7.6. assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the audit Committee's own internal quality procedures);
- 10.5.7.7. review any representation letter(s) requested by the external auditor before they are signed by management;
- 10.5.7.8. review the management letter and management's response to the external auditor's findings and recommendations.

10.6. Policy Development

The Committee shall:

- 10.6.1. Undertake a questioning and testing role in the development and review of EHA's financial and risk management policies;
- 10.6.2. Review and comment on the overall adequacy of EHA's and Policy Development Management Framework.

11. REPORTING RESPONSIBILITIES

- 11.1. The Committee shall make whatever recommendations to EHA it deems appropriate on any area within its terms of reference where in its view action or improvement is needed.

12. ANNUAL REVIEW AND REPORTING TO BOARD COMMITTEE

- 12.1. The Committee shall annually review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Board for approval.
- 12.2. In reviewing its performance, the Committee will have regard to:
 - 12.2.1. The achievement of the Committee's role and Terms of Reference.
 - 12.2.2. The Committee's decision making process.
 - 12.2.3. The timeliness, quality and quantity of information received.

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- 12.2.4. The relationship with the Board, Administration and other members of the Committee.
- 12.3. The involvement and attendance by members.
- 12.4. Following the Committee's annual review, the Chair (and other Independent Members as appropriate) of the Audit Committee shall provide a report to the Board on the Audit Committee's view in relation to the key areas of responsibility under these Terms of Reference, being, where relevant:
 - 12.4.1. Financial statements and the EHA's financial position;
 - 12.4.2. Key financial and risk related policy issues;
 - 12.4.3. EHA's risk management practices and framework;
 - 12.4.4. Internal financial controls;
 - 12.4.5. Fraud and whistleblowing provisions;
 - 12.4.6. EHA's long term financial planning;
 - 12.4.7. Asset management planning;
 - 12.4.8. Other issues of note.

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Amendments to Version 1 and 2 ToR

- 1 1.2 – changed in accordance with resolution 14:022012 of the Eastern Health Authority Board Meeting 1 February 2012.
- 2 Note added to 5.1 in accordance with resolution 14:022012 of the Eastern Health Authority Board Meeting 1 February 2012.

Amendments to Version 3 ToR

- Clause 1.2 amended by deleting the sentence “The Chair may be a member of the Committee, however will not hold the position of the Presiding Member of the Committee” in accordance with resolution 9:082013 of the Eastern Health Authority Board Meeting 28 August 2013.
- 2 Clause 1.9 changed to read “The Presiding Member of the Committee will be one of the independent members and will be appointed by the Audit Committee for the term of the Committee.” to reflect that there are two independent members on the Committee in accordance with resolution 9:082013 of the Eastern Health Authority Board Meeting 28 August 2013.

Amendments to Version 4 ToR

ToR presented to the Audit Committee Meeting – 13/08/2014.

No amendments made.

Amendments to Version 5 ToR

ToR presented to the Audit Committee Meeting – 12/08/2015.

Amendments to Version 6 ToR

ToR presented to the Audit Committee Meeting – 30/11/2016

- Addition of clause 1 Establishment of the Audit Committee
- Deletion of clause 2.1
- Addition of clause 2.9
- Addition of clause 3 Authority
- Addition of clauses 5.2 and 5.3
- Addition of clause 9 Conduct of Meetings
- Addition of clause 10.1 Financial Reporting and Sustainability
- Addition of clause 10.2 Risk Management and Internal Control
- Addition to clause 10.3 title to ‘Whistleblowing and Fraud’
- Amendment of clause 10.4.2
- Addition of clause 10.6 Policy Development
- Addition of clause 12 Annual Review and Reporting to Board

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EHA Audit Committee TERMS OF REFERENCE

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EHA Audit Committee

TERMS OF REFERENCE

1. ESTABLISHMENT OF THE AUDIT COMMITTEE

- 1.1. Pursuant to Section 41 and Section 126 of the Local Government Act 1999 (as amended) EHA as a subsidiary of Council establishes a Committee to be known as the Audit Committee (“the Committee”) for the purpose of:
 - 1.1.1. Assisting EHA in fulfilling its oversight responsibilities relating to accounting, audit, legislative compliance, financial and operational risk management, good governance and reporting practices; and
 - 1.1.2. Administration and External Auditor; in accordance with the Local Government Act 1999 (as amended) and other relevant ~~E~~nsuring effective communication between the Board, legislation.

2. MEMBERSHIP

- 2.1. Committee Members of the Committee are appointed by EHA. The Committee shall comprise three members consisting of two independent members and one Board Member.
- 2.2. Independent Members of the Committee shall have extensive and relevant financial management, risk management or internal audit qualifications and experience.
- 2.3. Only members of the Committee are entitled to vote in Committee meetings. Unless otherwise required by the Act not to vote, each member must vote on every matter that is before the Committee for a decision.
- 2.4. In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public. The agenda and minutes of the Committee meetings, subject to any items that are discussed in confidence under Section 90 of the Act and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.
- 2.5. Individual members of EHA’s administration staff, such as the Chief Executive Officer and Senior Staff may attend any meeting as observers or be responsible for preparation of papers for the Committee.
- 2.6. EHA’s external auditor may also be invited to attend meetings of the Committee, as appropriate.
- 2.7. Appointments to the Committee shall be for a period of two years. At the expiration of this period all positions will be declared vacant and nominations will be sought for another two year term. Appointees may be reappointed by EHA through this process.
- 2.8. The Presiding Member of the Committee will be one of the independent members and will be appointed by the Audit Committee for the term of the

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Committee. In the absence of the chairperson the Committee will appoint one of the other members as Acting Presiding Member for the duration of the meeting.

- 2.9. The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

3. AUTHORITY

- 3.1. The Committee has the following authority from the Board:
- 3.1.1. Confirm minutes of a previous meeting as a true and accurate record of proceedings;
 - 3.1.2. Set meeting times / dates; and
 - 3.1.3. Receive Information Reports and provide feedback and input into development of policies and documents put before the Committee, prior- to them being recommended to Board. The Committee has no authority to act independently of the Board. The Committee is authorised by the Board to undertake work efficiently and effectively to meet the objectives described by its Establishment and Terms of Reference.
- 3.2. The Committee will have no standing financial delegations. If required for a specific purpose, these will be sought from the Board at the time or where appropriate through the Chief Executive Officer's delegation.
- 3.3. The Committee shall act at all times in strict accordance with relevant legislation (being the Local Government Act 1999 [as amended] and associated Regulations) and with written policies, guideline, protocols and charter of the Board, which are relevant to the Committee in the performance of its functions.
- 3.4. All decisions of the Committee will be referred to the Board as recommendations of the Committee. The reporting of the decisions of the Committee to the Board in this manner is sufficient to satisfy the reporting and accountability requirements of the Board-.

4. SECRETARIAL RESOURCES

- 4.1. The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions.

5. QUORUM

- 5.1. The quorum necessary for the transaction of business shall be 2 members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 5.2. All decisions of the Committee shall be made on the basis of a majority decision of the members present.

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- 5.3. Only members of the Committee, or a Board Member's proxy, if appointed for a meeting, are entitled to vote in Committee meetings.

6. Frequency of Meetings

- 6.1. The Committee shall meet at least twice per annum. The Committee can meet otherwise as required, and as approved by the Chairperson.

7. Notice of Meetings

- 7.1. Ordinary meetings of the Committee will be held at times and places determined by EHA or, subject to a decision of EHA, the Committee. EHA recognised that the EHA Audit Committee can determine the time and place of its meetings at a meeting held on 1 February 2012 at Item 7.9. A special meeting of the Committee may be called in accordance with the Act.
- 7.2. Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and observers, no later than three clear business days before the date of the meeting. Supporting papers shall be sent to Committee members (and to other attendees as appropriate) at the same time.

8. Minutes of Meetings

- 8.1. The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, are minuted and that the minutes otherwise comply with the requirements of the Local Government (Procedure at Meetings) Regulations 2000.
- 8.2. Minutes of Committee meetings shall be circulated within five days after a meeting to all members of the Committee and to all members of EHA and will (as appropriate) be available to the public.

9. CONDUCT OF MEETINGS

- 9.1. The Committee shall conduct its meetings in accordance with Part 2 of the Local Government (Procedures at Meetings) Regulations 2000 (as amended).
- 9.2. The Committee will develop, maintain and implement a work plan, which will serve the purpose of a forward agenda detailing the proposed agenda items and meeting dates.

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10. ROLE OF THE COMMITTEE

~~Financial Reporting and Sustainability~~ **The Committee shall:**

10.1. Financial Reporting and Sustainability

~~40.1.~~ **The Committee Shall:**

- 10.1.1. Monitor the integrity of the financial statements of EHA, including its annual report, reviewing significant financial reporting issues and judgements which they contain.
- 10.1.2. Review and challenge where necessary:
- 10.1.3. Review the consistency of, and/or any changes to, accounting policies;
- 10.1.4. Review the methods used to account for significant or unusual transactions where different approaches are possible;
- 10.1.5. Review whether EHA has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 10.1.6. ~~-~~Review the clarity of disclosure in EHA's financial reports and the context in which statements are made; and
- 10.1.7. Review all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (in so far as it relates to audit and risk management).
- 10.1.8. Review and make recommendations to the Board regarding the assumptions, financial ratios and financial targets in the Long Term.
- ~~40.1.9.~~ ~~Review and provide recommendations and comment to the Board on EHA's Asset Management Plans.~~
- ~~40.1.10.~~ 10.1.9. Provide commentary and advice on the financial sustainability of EHA and any risks in relation to, as part of the adoption of the Long Term Financial Plan, Annual Budget and periodic Budget Reviews.
- ~~40.1.11.~~ 10.1.10. Review and make recommendations to the Board regarding any other significant financial, business efficiency or innovation, accounting and reporting issue as deemed necessary by the Committee, Board or Administration.
- ~~40.1.12.~~ 10.1.11. Consider and provide comment on the financial and risk related issues associated with any EHA business referred to it by the Board for such comment.

10.2. Risk Management and Internal Control

The Committee shall:

- ~~40.2.1.~~ ~~Committee~~ Monitor and review the performance and adequacy of EHA's Risk;
- 10.2.1. ~~m~~ Management Program and Framework for identifying, monitoring and managing significant business risks, including Work Health and Safety and EHA's Business Continuity Plan.

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10.2.2. Review and recommend the approval, where appropriate, of statements to be included in the annual report of concerning internal controls and risk management.

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10.3. Whistle Blowing and fraud

10.3.1. The Committee shall review EHA's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

10.4. Internal Audit

The Committee shall:

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~~10.4.1.~~ Discuss and approve the Internal Audit Program, if one is required and consider appropriate resourcing;

~~10.4.1.~~10.4.2. Monitor and review the effectiveness of EHA's internal audit processes in the context of EHA's overall risk management system;

~~10.4.2.~~ discuss and approve the Internal Audit Program, if one is required and consider appropriate resourcing

10.4.3. ~~r~~Review internal audit reports, consider recommendations and review and monitor reports on EHA's operations from the internal auditor

10.4.4. ~~review~~ Review and monitor management's responsiveness to the findings and recommendations

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10.5. External Audit

The Committee shall:

10.5.1. ~~m~~Monitor and review the effectiveness of EHA's external audit function;

10.5.2. ~~C~~onsider and make recommendation on the program of the external audit function;

10.5.3. ~~R~~review the external auditor's report on the preparation of EHA's end of year financial statements;

10.5.4. ~~R~~review any reports on EHA's operations prepared by the external auditor;

10.5.5. ~~R~~review and monitor management's responsiveness to the findings and recommendations of the external auditor;

10.5.6. ~~e~~Consider and make recommendations to EHA, in relation to the appointment, re-appointment and removal of EHA's external auditor, including where the auditor resigns during the period of appointment.

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- 10.5.7. ~~e~~Oversee EHA's relationship with the external auditor including, but not limited to:
 - 10.5.7.1. recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;
 - 10.5.7.2. recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;
 - 10.5.7.3. assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of EHA's relationship with the auditor, including the provision of any non-audit services;
 - 10.5.7.4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and EHA (other than in the ordinary course of business);
 - 10.5.7.5. monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and
 - 10.5.7.6. assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the audit Committee's own internal quality procedures);
 - 10.5.7.7. review any representation letter(s) requested by the external auditor before they are signed by management;
 - 10.5.7.8. review the management letter and management's response to the external auditor's findings and recommendations.

~~Policy Development The Committee shall:~~

~~10.6. —Policy Development~~

~~The Committee shall:~~

~~10.6-~~

- 10.6.1. Undertake a questioning and testing role in the development and ~~R~~review of EHA's financial and risk management policies:-
- 10.6.2. Review and comment on the overall adequacy of EHA's and Policy Development Management Framework.

11. REPORTING RESPONSIBILITIES

- 11.1. The Committee shall make whatever recommendations to EHA it deems appropriate on any area within its terms of reference where in its view action or improvement is needed.

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12. ANNUAL REVIEW AND REPORTING TO BOARD COMMITTEE

- 12.1. The Committee shall annually review its own performance and Terms of Reference to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Board for approval.
- 12.2. In reviewing its performance, the Committee will have regard to:
 - 12.2.1. The achievement of the Committee's role and Terms of Reference.
 - 12.2.2. The Committee's decision making process.
 - 12.2.3. The timeliness, quality and quantity of information received.
 - 12.2.4. The relationship with the Board, Administration and other members of the Committee. ~~Committee~~
- 12.3. The involvement and attendance by members.
- 12.4. Following the Committee's annual review, the Chair (and other Independent Members as appropriate) of the Audit Committee shall provide a report to the Board on the Audit Committee's view in relation to the key areas of responsibility under these Terms of Reference, being, where relevant:
 - 12.4.1. Financial statements and the EHA's financial position;
 - 12.4.2. Key financial and risk related policy issues;
 - 12.4.3. EHA's risk management practices and framework;
 - 12.4.4. Internal financial controls;
 - 12.4.5. Fraud and whistleblowing provisions;
 - 12.4.6. ~~Council's~~ EHA's long term financial planning;
 - 12.4.7. Asset management planning;
 - 12.4.8. Other issues of note.

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Amendments to Version 1 and 2 ToR

- 1 1.2 – changed in accordance with resolution 14:022012 of the Eastern Health Authority Board Meeting 1 February 2012.
- 2 Note added to 5.1 in accordance with resolution 14:022012 of the Eastern Health Authority Board Meeting 1 February 2012.

Amendments to Version 3 ToR

- Clause 1.2 amended by deleting the sentence “The Chair may be a member of the Committee, however will not hold the position of the Presiding Member of the Committee” in accordance with resolution 9:082013 of the Eastern Health Authority Board Meeting 28 August 2013.
- 2 Clause 1.9 changed to read “The Presiding Member of the Committee will be one of the independent members and will be appointed by the Audit Committee for the term of the Committee.” to reflect that there are two independent members on the Committee in accordance with resolution 9:082013 of the Eastern Health Authority Board Meeting 28 August 2013.

Amendments to Version 4 ToR

ToR presented to the Audit Committee Meeting – 13/08/2014.

No amendments made.

Amendments to Version 5 ToR

ToR presented to the Audit Committee Meeting – 12/08/2015.

Amendments to Version 6 ToR

ToR presented to the Audit Committee Meeting – 30/11/2016

- Addition of clause 1 Establishment of the Audit Committee
- Deletion of clause 2.1
- Addition of clause 2.9
- Addition of clause 3 Authority
- Addition of clauses 5.2 and 5.3
- Addition of clause 9 Conduct of Meetings
- Addition of clause 10.1 Financial Reporting and Sustainability
- Addition of clause 10.2 Risk Management and Internal Control
- Addition to clause 10.3 title to ‘Whistleblowing and Fraud’
- Amendment of clause 10.4.2
- Addition of clause 10.6 Policy Development
- Addition of clause 12 Annual Review and Reporting to Board

The document on EHA’s Records Management System is considered to be the current and controlled version. Before using a printed copy, verify that it is the current version.

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5.4 APPOINTMENT OF EXTERNAL AUDITOR FOR 2017-2021

Author: Michael Livori
Ref: AF12/17 & AF16/58

Summary

Eastern Health Authority (EHA) is required under Regulation 20 of the Local Government Financial Management Regulations 2011 and clause 7.6 of its Charter to appoint a suitably qualified person as its auditor.

EHA's External Auditor for the period 2011 to 2016 was Dean Newberry and Partners. The contract with Dean Newberry and Partners expired at the conclusion of the 2015/2016 audit process. It is now necessary to seek expressions of interest from a suitably qualified auditor to be engaged as EHA's external auditor from 2017 and beyond.

Report

Clause 7.5 of the EHA Audit Committee Terms of Reference provides the following in relation to the external audit.

7.5 EXTERNAL AUDIT

The Committee shall:

- 7.5.1 *monitor and review the effectiveness of the Authority's external audit function;*
- 7.5.2 *consider and make recommendation on the program of the external audit function;*
- 7.5.3 *review the external auditor's report on the preparation of the Authority's end of year financial statements;*
- 7.5.4 *review any reports on the Authority's operations prepared by the external auditor;*
- 7.5.5 *review and monitor management's responsiveness to the findings and recommendations of the external auditor;*
- 7.5.6 *consider and make recommendations to the Authority, in relation to the appointment, re-appointment and removal of the Authority's external auditor, including where the auditor resigns during the period of appointment.*
- 7.5.7 *oversee the Authority's relationship with the external auditor including, but not limited to:*
 - 7.5.7.1 *recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted;*

- 7.5.7.2 recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit;*
- 7.5.7.3 assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of the Authority's relationship with the auditor, including the provision of any non-audit services;*
- 7.5.7.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Authority (other than in the ordinary course of business);*
- 7.5.7.5 monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners; and*
- 7.5.7.6 assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditor on the audit committee's own internal quality procedures);*
- 7.5.8 review any representation letter(s) requested by the external auditor before they are signed by management;*
- 7.5.9 review the management letter and management's response to the external auditor's findings and recommendations.*

The term of appointment for EHA's current Auditor, Dean Newbery and Partners expired with the conclusion of the 2015/2016 audit. Dean Newbery and Partners have been conducting audits of EHA since 2001.

It is therefore necessary to commence a process for engaging an auditor for the 2017-2021 financial reporting periods.

A shortlist of suitable candidates was developed for the last engagement process based upon engagement (at that time) to provide auditing and accounting services to EHA constituent councils.

The candidates were:

- Bentleys
- Dean Newbery and Partners
- Galpins
- Creative Accounting (Ian McDonald)

It is now necessary to consider an appropriate list of candidates to be invited to provide a quotation based on an Audit Specification that has been developed for EHA.

The Audit Specification which was developed for the previous engagement process is provided to the committee as attachment 1 for consideration and amendment if required.

An assessment of quotations received from selected auditing firms will be required prior to a recommendation of appointment being developed and provided to EHA's Board of Management's for consideration.

RECOMMENDATION

That:

The Appointment of External Auditor for 2017-2021 report is received.



Eastern Health Authority

**AUDIT SPECIFICATION
QUOTATION FOR EXTERNAL AUDIT SERVICES
FINANCIAL YEARS: 2016/2017 TO 2020/2021**

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INTRODUCTION

Eastern Health Authority (EHA) is required under Regulation 20 of the Local Government (Financial Management) Regulations 2011 to appoint a suitably qualified person as its auditor. The auditor reports to EHA on the General Purpose Financial Statements prepared annually in accordance with the Act.

The auditor must specifically identify in the report any irregularity in EHA's accounting practices or the management of EHA's financial affairs identified by the auditor during the course of an audit.

EHA BACKGROUND

EHA is formed as a regional subsidiary pursuant to Section 43 of the Local Government Act, 1999. Section 43 provides for two or more councils (known as the constituent councils) to establish a subsidiary to perform a function of the council in a joint service delivery arrangement.

EHA's current constituent councils consist of City of Burnside, Campbelltown City Council, City of Norwood, Payneham and St Peters, City of Prospect & The Town of Walkerville. A combined population of over 160,000 Constituent Council residents are serviced. In addition the City of Unley contract EHA to provide school and clinic based immunisation programs.

A wide range of environmental health functions are performed which include the prevention and control of disease, immunisation, hygiene and sanitation control, licensing and monitoring of supported residential facilities and the surveillance of food premises to ensure appropriate food safety standards.

EHA ensures that its Constituent Councils are meeting their wide range of legislative responsibilities which relate to Environmental Health and which are mandated in a number of pieces of legislation, the most important of these being the South Australian Public Health Act 2011, the Food Act 2001 and the Supported Residential Facilities Act 1992.

With the renewed commitment and demand for local government to adopt a more regional focus in the structure of their organisations and the delivery of their services EHA serves as an outstanding example of shared service delivery. It is local councils working together to protect the health of their communities.

EHA STRUCTURE

EHA is a body corporate and is governed by its Board, which has the responsibility to manage the business and other affairs of EHA ensuring that it acts in accordance with its Charter.

Each Constituent Council is required to appoint two persons to be Board Members. The Board currently consists of 10 members.

A Chair and Deputy Chair are elected on an annual basis.

The Board appoints a Chief Executive Officer to manage its business on terms agreed between the Chief Executive Officer and the Board. The Chief Executive Officer is responsible to the Board for the execution of decisions taken by the Board and for the efficient and effective management of the affairs of EHA.

The Board delegates responsibility for the day-to-day management of EHA to the Chief Executive Officer, who is required to ensure that sound business, financial and human resource management practices are applied in the efficient and effective management of the operations of EHA.

The Chief Executive Officer is supported by two senior staff, Team Leader Environmental Health officer and Team Leader Immunisation and Administration.

EHA's functions are undertaken by staff in three functional areas:

- Administration
- Immunisation
- Environmental Health

EHA employees a total of 28 staff equivalent to approximately 18 FTE.

EHA has established an Audit Committee. It is a formally constituted Committee of EHA pursuant to Clause 30 of Schedule 2 to the Local Government Act 1999, and is responsible to EHA. The Committee's role is to report to EHA and provide appropriate advice and recommendations on matters contained within its Terms of Reference.

1. EHA INFORMATION

1.1 Information Technology and Software Applications

EHA's network operating systems consist of a Windows 2008 64 Bit Domain Controller with Exchange 2007, also a Windows 2008 R2 Sequel Server which runs IMPS, along with a Windows 2012 R2 cloud based server that runs Record Manager plus Health Manager

Application Modules

MYOB AccountRight Plus – General Ledger, creditors, receipting, payroll, bank reconciliation

Imps – Immunisation software for recording client vaccination history

HP Records Manager – Electronic Document Records Management System

Health Manager – Environmental Health Data Management

1.2 Services and funds

EHA holds and conducts the following accounts:

General Bank Account Bank SA General Fund
General Investment LGFA
Loans LGFA

1.3 Income and Expenditure

EHA's total operating income for the year ended 30 June 2016 was \$2.21m whilst total operating expenditure was \$2.19m.

Total Equity is reported as \$0.34m.

1.4 Internal Audit

EHA does not employ an internal auditor. EHA has developed an Internal Controls Register which is a generic financial procedures manual / register specifically designed for smaller organisations such as EHA. The generic procedures detailed in the manual clearly document the action to address a risk and identifies the responsible officer. The document is regularly reviewed by the Audit Committee.

1.5 Insurances

EHA has a comprehensive range of insurances which are arranged through Local Government Risk Services (a division of Jardine Lloyd Thompson Pty Ltd).

These insurances include:

- Local Government Association Workers Compensation Scheme;
- Local Government Association Mutual Liability Scheme;
- Public Liability and Professional Indemnity;
- Personal Accident;
- Journey Injury;
- Local Government Income Protection Insurance;
- Local Government Asset Mutual Fund – building and contents, fidelity guarantee, machinery breakdown, computer and electronic equipment, motor vehicles.

2. SPECIFICATIONS

2.1 Objectives of the Audit

The objective of EHA's Audit is to provide an independent opinion of the accounts and annual financial reports of EHA for each financial year covered by the term of the audit appointment.

The audit must meet and comply with the requirements of:

- The Local Government Act 1999, and Regulations;
- Australian Accounting Standards;
- Local Government (Accountability Framework) Amendment Bill 2009;
- Auditing Standards, Auditing Guidance Statements and other relevant pronouncements issued jointly from time to time by the Institute of Chartered Accountants and CPA Australia.

2.2 Term of the Appointment

EHA is seeking to make an appointment for 5 years covering the financial reporting periods 2016/17 to 2020/21.

2.3 Critical Matters to be Audited

EHA is of the view that the following matters are important to the proper maintenance and reporting of its financial accounts. They are also important to the auditor's responsibility for providing an audit opinion and an audit report.

The auditor should include in his or her proposal the extent to which the matters outlined below will be examined in the course of forming his or her independent audit opinion of the accounts and annual financial reports of EHA.

2.3.1 Governance and Control

- Roles and Responsibilities;
- EHA/ Minutes and Directions;
- Strategic/Business/Risk Planning;

- Budget Management;
- Internal Controls including ICT Security

2.4 Hours, Fees & Expenditure

2.4.1 The auditor is to provide the following detail:

- an estimate of the hours to be spent on the audit;
- fees for completing the audit in accordance with this specification;
- the nominated auditor and registered company audit number; and,
- the experience of the nominated auditor in completing Local Government audits.

2.4.2 The fee for the audit services for the five (5) year term shall be calculated using the estimated fee for the 2016/17 year as the base year. The fee for each subsequent year shall be the base year's fee plus a specified escalation method (e.g. CPI, Average Weekly Earnings). The quote should indicate the preferred escalation method.

2.4.3 All expenses are to be included in the fee.

2.4.4 All fees should be quoted on a GST **inclusive** basis.

2.5 Terms and conditions

The following conditions should be noted by auditors:

- The auditor shall not sub-contract to a third party without EHA approval;
- The auditor shall not, and has no right to, assign the audit contract to third parties;
- The auditor shall not be engaged by EHA to undertake any financial and accounting work that results in financial information that will be the subject of the annual audit;
- The auditor shall confirm that he or she has, and will maintain during the duration of the audit term, professional indemnity insurance covering the legal liability arising out of any neglect, default, error, or omission of at least \$5m in aggregate or \$1m on an 'each and every claim' basis with a two year run-off, plus public liability insurance to a minimum of \$10m;
- The auditor shall ensure that all relevant deadlines are met to enable the audited financial statements to be available within the specified statutory time.

2.6 Termination of Appointment

The appointment as auditor is terminated if:

- the auditor (being a natural person) dies,
- the auditor ceases to be a registered company auditor;
- the auditor is disqualified person under Section 128 (5) of the Local Government Act 1999;
- the auditor accepts remunerated office or employment from EHA;

- the auditor resigns by notice in writing to EHA;
- EHA serves notice in writing to the auditor terminating the appointment for reasonable cause;
- the term of the appointment expires.

2.7 Auditor Independence

The auditor is required, annually, to provide a declaration that he/she is independent of EHA and nothing has transpired that would compromise his or her independence during the conduct of the audit.

2.8 Audit Management Letter

The auditor must provide a report (an Audit Management Letter) to EHA, at the conclusion of an interim audit and the final audit, which sets out a range of matters that the auditor considers need to be drawn to the attention of EHA. The 'management letter' is issued in accordance with ASA 260 and satisfies the requirements of Section 129(4) of the Local Government Act. The interim audit management letter can be minimal in content and focus on any remedial action arising from the interim audit to be implemented as soon as possible. In circumstances where the auditor believes an area requires a greater depth of examination (outside the scope of the audit), the auditor should recommend further investigations be undertaken by a third party.

2.9 Current clients

Details of other Councils/Subsidiaries currently audited by the applicant must be supplied, with the names and contact details of at least two (2) referees provided.

2.10 Meeting with Audit Committee

The quotation should include the costs associated with attending an annual meeting with the Audit Committee where the auditor is required to present the financial statements and explain to the members the meaning of the contents of the financial statements and outline his/her opinion on the financial state of EHA as shown therein.

2.11 Other Information

Details may be provided of any other information which it is felt will support the application for the provision of audit services.

2.12 Lodgment of Quotation

Condition of Lodgment

Quotation marked "Confidential Quotation: External Audit Services" can be lodged at EHA's Office situated at 101 Payneham Road, St Peters, by email in

PDF format to mlivori@eha.sa.gov.au or by mail addressed to the Chief Executive Officer, EHA, PO Box 275, Stepney SA 5069.

2.13 Assessment & Acceptance of Quotation

The assessment of quotations will be based on the following criteria:-

- Capacity – including quality and availability of workforce;
- Quality and depth of audit performance and experience;
- Proposed audit plan;
- Price;
- Value added services;
- Technical Expertise;
- Referees.

The preferred auditor may be required to attend a meeting of the audit committee to discuss their submission prior to EHA making a decision.

The lowest or any quotation will not necessarily be accepted.

2.14 Closing of Quotations

Quotations close at 5pm on **XX XXXXXXXXX 201x**.

2.15 Late Quotations

Quotations received after the closing date will be deemed late quotations and subsequently will not be considered by EHA.

2.17 References

In drafting this specification the LGA Financial Sustainability Program Information Papers have been used as a resource. The full contents of these information papers are available from the LGA website. www.lga.sa.gov.au

Attachments and further information.

Copies of EHA's Financial Statements and related information can be obtained from EHA's website www.eha.sa.gov.au

Questions relating to this quotation can be directed to Mr Michael Livori, Chief Executive Officer, on (08) 8132 3600 or by e-mail at mlivori@sa.gov.au

5.5 REVIEW OF EASTERN HEALTH AUTHORITY INTERNAL CONTROLS REGISTER

Author: Michael Livori
Ref: AF11/271 & AF11/68

Summary

At the 12 August 2015 meeting of the Audit Committee a report in relation to the development of an Internal Controls Register was presented to members. The Internal Controls Register has now been reviewed and an amended document is presented for consideration and comment.

Report

The Internal Controls Register is a generic financial procedure's manual specifically designed for smaller organisations such as EHA. The generic procedures detailed in the manual clearly document the action to address a risk and identifies the responsible officer.

The document has now been reviewed and a number of minor additions have been made which are marked in red on the Internal Controls Register.

A copy is provided as attachment 1 for your consideration.

RECOMMENDATION

That:

The report regarding the review of the EHA "Internal Controls Register" document is received.



Internal controls register

Contents

- 1 Introduction
- Strategic Financial Planning**
- 2 Annual business plan and budget
- 3 Management reporting
- 4 Ledgers and journals
- Assets**
- 5 Fixed assets
- Revenue**
- 6 Debtors other than rates
- 7 Receipting
- Expenses**
- 8 Payroll
- 9 Purchases and payments

Eastern Health Authority

Introduction

Eastern Health Authority (EHA) must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist EHA to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard EHA's assets, and to secure (as far as possible) the accuracy and reliability of EHA records.

1. Legislative requirements/Policy

The Local Government Act 1999 contains the following finance provisions:

Policy	Procedure	Audit
122 Strategic management plans	123 Annual business plans and budgets	126 Audit committee
125 Internal control policies	124 Accounting records to be kept	128 The auditor
133 Sources of funds	127 Financial statements	129 Conduct of audit
135 Ability of a Council to give security	134 Borrowing and related financial arrangements	130 CEO to assist auditor
138 Council not obliged to expend rate revenue in a particular financial year	136 State Government not liable for debts of a Council	187A Administrative audits by Ombudsman
139 Investment powers	137 Expenditure of funds	187B Investigation by Ombudsman
146 Rates and charges that a Council may impose	140 Review of investments	
148 Land against which rates may be assessed	141 Gifts to a Council	
150 General principles	142 Duty to insure against liability	
151 Basis of rating	143 Writing off bad debts	
152 General rates	144 Recovery of amounts due to Council	
155 Service rates and service charges	145 Payment of fees etc. to Council	
156 Basis of differential rates	149 Contiguous land	
166 Discretionary rebates of rates	153 Declaration of general rate (including differential general rates)	
182 Remission and postponement of payment	154 Separate rates	
188 Fees and charges	157 Notice of differentiating factors	
	158 Minimum rates and special adjustments for specified values	
	159 Preliminary	
	160 -165 Rebate of rates	
	167-169 Valuation of land	
	170 Notice of declaration of rates	
	172-174 Chief executive officer to keep assessment record	
	175 Duty of Registrar-General to supply information	
	176 Preliminary	
	177-187 Rates are charges against land	

Eastern Health Authority

Introduction (cont.)

2. Procedures

Procedures need to be documented which incorporate sufficient internal controls to address the areas of highest risk.

Why do we need this procedure?

We need the procedures to reduce the likelihood and consequences of financial errors and fraud.

What is the procedure?

What is the process for the paperwork and the review of the result.

Who performs the procedure?

Who processes and reviews the paperwork.

3. Internal Audit

Reviews the procedures to determine whether they adequately address the areas of greater risk. Also performs checks to ensure the critical procedures are operating efficiently and effectively. An efficient internal control is one that is effective using the minimum resources. An effective internal control is one that reduces the likelihood and consequence of a financial system failure.

4. External Audit

Reviews the procedures and the internal audit work performed. Conducts additional testing to minimise the likelihood of material errors in the financial reports and fraud.

Last updated:

Eastern Health Authority
22/11/2016**2.0 Annual business plan and budget****2.1 Objective**

That the annual business plan and budget reflects EHA's strategic objectives.

2.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	1	Annual business plan and budget does not reflect strategic objectives.	a	The Chief Executive Officer ensures that there is a robust and rigorous process to establish the annual business plan and budget to ensure that they are consistent with the objectives of the Regional Public Health Plan.	Approved by:	Michael Livori	Chief Executive Officer	Attach the process and timeline as reported to the Board of Management on 24/02/2016. Copy of report attached.
	2	Unrealistic budgets.	a	The department managers are to base their budgets on realistic and achievable assumptions.	Generated by:	Michael Livori	Chief Executive Officer	Assumptions included in the EHA Annual Business Plan 2016-2017
			b	The department managers are to sign off on budgets.	Approved by:	Michael Livori	Chief Executive Officer	
			c	The department managers ensure that budgets are amended, compared to the previous year, to take into account significant changes in operations.	Reviewed by:	Michael Livori	Chief Executive Officer	
			d	All amendments to budgets are approved per the Local Government Act	Approved by:	Michael Livori	Chief Executive Officer	Approved by Board of Management and Constituent Councils
	3	Budgets are inaccurately reported.	a	Original and revised budgets reconciled to the data in the financial system for accuracy by appropriate level of managements; identified variances are investigated.	Reconciled by:	Michael Livori	Chief Executive Officer	Reconciled to Accounting system once Budget Variations adopted by the Board of Management

Last updated: Eastern Health Authority
22/11/2016

2.0 Annual business plan and budget

2.1 Objective That the annual business plan and budget reflects EHA's strategic objectives.

2.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)	
			b	The first, second, third quarterly and end of previous financial year's budget reviews are prepared, considered by the Board of Management and tabled in accordance with Schedule 2 of the Act.	Prepared by:	Michael Livori	Chief Executive Officer	Actioned in MYOB Accounting Software
			c	Budget information is loaded at the activity level. Where practicable, the budget is timed over the twelve months.	Input by:	Michael Livori	Chief Executive Officer	Actioned in MYOB Accounting Software
			d	Access to budget information is restricted to appropriately authorised personnel.	Checked by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Security Settings set by Administrator of MYOB to limits placed depending on functions required of staff. Document any reviews of access.
			e	Managers are trained to understand and are held accountable for their budgets.	Reviewed by:	Michael Livori	Chief Executive Officer	

Last updated:

Eastern Health Authority
22/11/2016**3.0 Management reporting****3.1 Objective**

EHA's financial operations are reviewed and responded to appropriately.

3.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	1	EHA's financial operations are not reviewed and responded to appropriately.	a	Department managers are clearly informed of their duties and responsibilities in relation to reporting.	Informed by:	Michael Livori	Chief Executive Officer	Team Leaders have areas of responsibility in their Position Descriptions and tasks in Work Plans
			b	Reviewing roles and responsibilities are designated in accordance with Delegations of Authority.	Approved by:	Michael Livori	Chief Executive Officer	Delegations review to Board of Management 31 August 2016
			c	A reporting timetable is developed to ensure the appropriate reports are produced, reviewed and tabled in accordance with Schedule 2 of the Act and the EHA Charter.	Developed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Reporting timetable to be developed
			d	The timetable is checked to ensure that management is reviewing the appropriate information on a regular and timely basis.	Checked by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Review of timetable to be on Fortnightly Management Meeting Agenda.

Last updated:

Eastern Health Authority
22/11/2016**4.0 Ledgers and Journals****4.1 Objective**

The monitoring and maintenance of EHA's general ledger. Checking that all control accounts are reconciled and the ledger balances to nil every month. Preparing journal entries as required. Creating, re-naming and deleting accounts (masterfile amendments). Preparing general ledger reports.

4.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
1	General ledger does not contain accurate financial information as a result of inaccurate journals which are not detected in routine review processes.	a	Journal details and new account number information input accuracy is checked when a journal is authorised or a new account is created.	Checked by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Form to be created authorising new account numbers or changes to existing account numbers to be signed by CEO
		b	Journals are processed in the finance area. Access for transaction input or masterfile amendment is limited.	Processed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Limited Journal entries are made each quarter e.g. for Depreciation purposes. Security is monitored in MYOB setup and access to General Journal area is limited.
		c	Transaction processing is checked for accuracy.	Checked by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Monthly reconciliation by Team Leader - Administration and Immunisation. Reconciliation Report signed by CEO
		d	Errors are corrected by a further journal or masterfile amendment.	Corrected by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Monitored monthly.
		e	The audit trail is verified to source documentation.	Verified by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Document any audit trail verification.
		f	All authorisation of journals is controlled by the user and role profiles within the system, which prevent unauthorised journals being created or posted by inappropriate personnel.	Approved by:	Michael Livori	Chief Executive Officer	List of approved user access.

Last updated:

Eastern Health Authority
22/11/2016**4.0 Ledgers and Journals****4.1 Objective**

The monitoring and maintenance of EHA's general ledger. Checking that all control accounts are reconciled and the ledger balances to nil every month. Preparing journal entries as required. Creating, re-naming and deleting accounts (masterfile amendments). Preparing general ledger reports.

4.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)	
			g	All journals are independently reviewed (including check to ensure correct account allocation).	Reviewed by:	Michael Livori	Chief Executive Officer	Evidence of CEO review of journals.
			h	Journals are marked as posted to ensure that no journals are overlooked or posted twice.	Marked by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
			i	General ledger reconciliations (including control and clearing accounts) are prepared on a regular basis; all reconciliations are independently reviewed.	Reviewed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of independent review of general ledger reconciliations.
			j	Some supporting documentation is electronically stored, and in the case of uploaded journals the file used to upload the transactions contains additional information regarding reason and or/description.	Stored by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
	2	Data contained within the general ledger (and subsidiary records) is permanently lost.	a	Formal disaster recovery plan adopted by EHA including the off-site backup of data, program and documentation.	Approved by:	Michael Livori	Chief Executive Officer	Disaster Recovery Plan being finalised.
			b	All updates and changes to data tables are authorised, tested and documented.	Checked by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Document authorised and tested updates.

Last updated:

Eastern Health Authority
22/11/2016**4.0 Ledgers and Journals****4.1 Objective**

The monitoring and maintenance of EHA's general ledger. Checking that all control accounts are reconciled and the ledger balances to nil every month. Preparing journal entries as required. Creating, re-naming and deleting accounts (masterfile amendments). Preparing general ledger reports.

4.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
		c	Access to the computerised general ledger is controlled by the user and role profiles within the system.	Approved by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Document any review of system reports detailing user role and profiles
3	EHA's statutory reports and other statutory returns provide inaccurate financial information and do not comply with statutory reporting requirements.	a	Relevant personnel responsible for preparing statutory reports are provided regular training to keep abreast of changes to reporting requirements.	Prepared by:	Creative Auditing	Financial Consultant	
		b	Financial reports prepared by suitably qualified staff.	Checked by:	Creative Auditing	Financial Consultant	
		c	Regular liaison with external auditor.	Liaison by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
		d	Actual results are compared to budget regularly; management reviews and investigates significant variances.	Compared by:	Michael Livori	Chief Executive Officer	
		e	Appropriate working papers are prepared and reviewed to support the financial statement balances during the statement preparation process.	Reviewed by:	Creative Auditing	Financial Consultant	

Last updated:

Eastern Health Authority
22/11/2016**5.0 Fixed Assets****5.1 Objective**

That an adequate record is kept of all EHA assets and the record is kept up to date.

5.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
1	Fixed asset acquisitions are fictitious, inaccurately recorded or not recorded at all.	a	The recording of an asset needs to be authorised.	Approved by:	Michael Livori	Chief Executive Officer	All purchases authorised by CEO prior to entry in the Accounting System.
		b	A check is made that all assets that should be recorded are recorded.	Checked by:	Creative Auditing	Financial Consultant	
		c	A check is made that payroll is appropriately costed.	Checked by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
		d	Fixed assets are recorded.	Recorded by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
		e	Errors are fixed by a general or asset sub-system journal.	Processed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
		f	Asset registers are updated and reconciled to the general ledger on a regular basis.	Reconciled by:	Creative Auditing	Financial Consultant	Last reconciled 30/06/2016
		g	Activity recorded in fixed asset register is reviewed by management and compared to the capital budget.	Reviewed by:	Creative Auditing	Financial Consultant	
		h	The identification and recording of the financial data associated with infrastructure assets is maintained and reviewed independently.	Reviewed by:	Creative Auditing	Financial Consultant	

Last updated:

Eastern Health Authority
22/11/2016**5.0 Fixed Assets****5.1 Objective**

That an adequate record is kept of all EHA assets and the record is kept up to date.

5.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	2	Fixed assets are not valued correctly.	a	Periodic revaluations are carried out (in the order of every 3 to 5 years) and carrying amounts are reviewed annually to ensure they remain fairly stated.	Requested by:	Michael Livori	Chief Executive Officer
			b	Management reviews depreciation rates and methodology annually to ensure that methods used to depreciate fixed assets are still appropriate in accordance with the asset impairment and asset revaluation policies.	Reviewed by:	Creative Auditing	Financial Consultant
	3	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded.	a	Management reviews depreciation rates and methodology annually to ensure that methods used to depreciate fixed assets are still appropriate in accordance with the asset impairment and asset revaluation policies.	Reviewed by:	Creative Auditing	Financial Consultant

Last updated:

Eastern Health Authority
22/11/2016**6.0 Debtors other than rates****6.1 Objective**

The raising, monitoring and collection of debtors other than rates.

6.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
1	Debtors invoices and credit notes are either inaccurately recorded or not recorded at all.	a		An invoice is requested to be raised.	Requested by:	Receipting Staff	Receipting Staff	Attach pro-forma request for invoice
		b		Debtors input is posted. Incorrect input can be amended.	Input by:	Receipting Staff	Receipting Staff	
		c		Invoices raised are reviewed for completeness and accuracy.	Reviewed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of review on supporting documentation.
		d		Statements of accounts receivable are mailed to debtors	Prepared by:	Giovanna Carosi	Administration Officer	Monthly follow up plan as per Debt Collection Procedure
		e		Errors discovered after an invoice is raised are corrected by processing a 'debtors journal'.	Processed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of error retained.
		f		A copy of the debtor's invoices is retained.	Retained by:	Receipting Staff	Receipting Staff	Electronically/hard copy
		g		Payments are received via the receipting system.	Receipted by:	Receipting Staff	Receipting Staff	Payment method is recorded in the accounting system including cheque numbers
		h		Debtors outstanding are reconciled to the general ledger control accounts on a monthly basis.	Reconciled by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of monthly reconciliation retained
		i		Audit trails and reconciliations are independently reviewed.	Reviewed by:	Creative Auditing	Financial Consultant	Creative Auditing has online access to the MYOB file.

Last updated:

Eastern Health Authority
22/11/2016**6.0 Debtors other than rates****6.1 Objective**

The raising, monitoring and collection of debtors other than rates.

6.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
			j	Debtors and revenue are compared to budget regularly and significant variances investigated.	Investigated by:	Michael Livori	Chief Executive Officer	
			k	Credit notes are processed independently of the debtors processing function.	Processed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of credit retained.
	2	An appropriate provision for doubtful debts is not recorded accurately.	a	Management reviews the provision for doubtful debts on a regular basis.	Reviewed by:	Michael Livori	Chief Executive Officer	Evidence of doubtful debt review.
			b	Management reviews the debtors ageing profile on a regular basis and investigates any outstanding items.	Reviewed by:	Michael Livori	Chief Executive Officer	Evidence of debtor ageing review.
			c	Debtors and revenue are to be compared by management to the budget regularly significant variances are investigated.	Reviewed by:	Michael Livori	Chief Executive Officer	
			d	Management is to approve all bad debt write-offs and movements in the provision for doubtful debts, in line with the Debt Collection Policy.	Approved by:	Michael Livori	Chief Executive Officer	Refer to EHA's Debt Collection Policy

Last updated:

Eastern Health Authority
22/11/2016

7.0 Receipting

7.1 Objective

Accountability of monies due to EHA.

7.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
1	Cash float is inadequately safeguarded	a	The cash float is stored in secured facilities.	Stored by:	Receipting Staff	Receipting Staff	
		b	Access (i.e. passwords or keys) to the cash float safes/registers is limited to appropriately designated staff.	Limited to:	Receipting Staff	Receipting Staff	
		c	A register for cash floats is maintained.	Maintained by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Cash Register reconciled 30/06/2016
		d	The cash float is reconciled on a regular basis and these reconciliations are reviewed by an independent person.	Reconciled by:	Hayley Lambi	Administration Officer	Evidence of reconciliation retained.
				Reviewed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Refer to EHA's Cash Float reconciliation as at 30/06/2016 presented to the Auditors
2	Receipts are either inaccurately recorded or not recorded at all	a	Receipts are recorded. Service users/customers are provided with a copy of the receipt on request and total weekly receipts (per register) are balanced to receipts deposited at bank.	Performed by:	Receipting Staff	Receipting Staff	Evidence of weekly balancing of receipts retained.
		b	Bank statements are reconciled to the general ledger regularly.	Reconciled by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Monthly reconciliation documented and signed by Team Leader - Administration and Immunisation and CEO.
		c	Statements of customer accounts receivable are mailed to customers.	Mailed by:	Giovanna Carosi	Administration Officer	Monthly review of outstanding accounts

Last updated: Eastern Health Authority
22/11/2016

7.0 Receipting

7.1 **Objective** Accountability of monies due to EHA.

7.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	3	Receipts are not deposited at the bank on a timely basis.	a	Cash receipts are deposited regularly at the bank by a person independent from the initial recording of the cash receipts.	Deposited by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Weekly banking
			b	Cash is physically transferred to the bank in a secure manner.	Transferred by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
			c	Bank statements are reconciled to the general ledger on a monthly basis.	Reconciled by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Monthly reconciliation documented.
	4	Offsite collection of monies is not handled correctly.	a	Receipts are provided for monies received where requested.	Provided by:	Receipting Staff	Receipting Staff	
			b	Cash floats are reconciled on a regular basis and these reconciliations are signed by the Chief Executive Officer.	Reviewed by:	Receipting Staff	Receipting Staff	Refer to EHA's Cash Float reconciliation as at 30/06/2016 presented to the Auditors

Last updated: Eastern Health Authority
22/11/2016

8.0 Payroll

8.1 **Objective**

Preparation of payroll for EHA staff. Staff are paid fortnightly by direct bank credit. Tasks include, leave recording, superannuation payments, and workers compensation claims.

8.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
1	Employee provisions are either inaccurately recorded or not recorded at all.	a	i	Staff requests for leave require approval.	Approved by:	Michael Livori	Chief Executive Officer Refer to EHA's Template of Leave Application Form
			ii	Taken leave is recorded independent from the approval.	Recorded by:	Natajsha Bevitt	Team Leader - Administration and Immunisation Recorded in MYOB payroll when leave taken. Leave form filed in records management system in personnel file and leave forms for the year leave taken.
		b	The methodology used to calculate salary sacrifice calculations and employee provisions to ensure consistency with statutory reporting requirements is reviewed.	Reviewed by:	Creative Auditing	Financial Consultant All calculations are authorised by Team Leader and CEO prior to adjustment in pay	
		c	Employee provisions are reviewed on a regular basis.	Reviewed by:	Creative Auditing	Financial Consultant Creative Auditing has access to the online MYOB file.	
		d	Actual employee costs and employee provisions are compared to budget on a regular basis and significant variances investigated.	Performed by:	Michael Livori	Chief Executive Officer	
		e	Access to payroll/provision masterfiles is restricted to designated and qualified staff.	Accessible by:	Natajsha Bevitt	Team Leader - Administration and Immunisation Limited access of Hayley Lambi, Natajsha Bevitt and CEO to this area in MYOB.	

Last updated:

Eastern Health Authority
22/11/2016

8.0 Payroll

8.1 **Objective**

Preparation of payroll for EHA staff. Staff are paid fortnightly by direct bank credit. Tasks include, leave recording, superannuation payments, and workers compensation claims.

8.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)	
	2 Payroll calculations are inaccurate	a	i Timesheets are checked.	Checked by:	Hayley Lambi	Administration Officer		
			ii Timesheets are authorised.	Authorised by:	Departmental Managers			
			iii Timesheet are checked for logic, additions and input codes are added.	Checked by:	Hayley Lambi	Administration Officer		
			b	Leave applications entitlements are checked.	Checked by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Calculations prepared and recorded in Electronic Personnel file.
			c	Overtime applications are checked and authorised.	Authorised by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Overtime forms filed in Electronic Personnel file.
			d	i Masterfile changes are authorised.	Authorised by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
				ii Masterfile changes are independently checked for correct input.	Checked by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of independent review of masterfile changes.

Last updated: Eastern Health Authority
22/11/2016

8.0 Payroll

8.1 **Objective** Preparation of payroll for EHA staff. Staff are paid fortnightly by direct bank credit. Tasks include, leave recording, superannuation payments, and workers compensation claims.

8.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
			e i Errors in a timesheet require the submission of an amended sheet.	Checked by:	Hayley Lambi	Administration Officer	
			ii Other input errors are corrected during pay preparation or in a subsequent pay	Input by:	Hayley Lambi	Administration Officer	
			f The update to the general ledger is performed once all pay preparation is complete for a pay period.	Checked by:	Hayley Lambi	Administration Officer	
			g Data input to an incorrect general ledger account number is corrected by a general journal.	Performed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of journal.
			h The payroll software produces various warnings to indicate likely errors.	Reviewed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
			i Actual payroll expense is compared to budget by management; significant variances are investigated and approved by management.	Compared by:	Michael Livori	Chief Executive Officer	

Last updated: Eastern Health Authority
22/11/2016

8.0 Payroll

8.1 **Objective**

Preparation of payroll for EHA staff. Staff are paid fortnightly by direct bank credit. Tasks include, leave recording, superannuation payments, and workers compensation claims.

8.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
3	Payroll disbursements are made to incorrect or fictitious employees.	a		EFT payroll disbursements involve two people in the approval and transfer process.	1st approval:	Michael Livori	Chief Executive Officer	Note: Natajsha Bevitt as alternative
					2nd approval:	Nadia Conci	Team Leader - Environmental Health	
		b		The EFT bank payment report is printed and retained.	Performed by:	Hayley Lambi	Administration Officer	
		c		Departmental managers perform a regular review of report detailing all employees listed on payroll masterfile; all unusual items are investigated.	Performed by:	Michael Livori	Chief Executive Officer	Evidence of departmental manager review of payroll masterfile information
d		Payroll system generates exception reports detailing payroll expense on individual employee basis where the payroll expense is greater than the budgeted amount by a fixed percentage or dollar amount; report regularly reviewed by management who investigate and approve variances.	Reviewed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation			

Last updated:

Eastern Health Authority
22/11/2016

8.0 Payroll

8.1 **Objective**

Preparation of payroll for EHA staff. Staff are paid fortnightly by direct bank credit. Tasks include, leave recording, superannuation payments, and workers compensation claims.

8.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	4	Time and attendance data is either invalid, inaccurately recorded or not recorded at all.	a	Salary and hourly payroll reports (including compensation and withholding information) are reviewed and approved by management.	Performed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of review and approval.
	b		Time recording and attendance exceptions based on expectations established by management are identified, monitored and corrected.	Performed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation		
	c		Overtime hours worked and payments for such overtime are authorised by management for all employees who are paid for overtime.	Performed by:	Michael Livori	Chief Executive Officer		
	d		Time by employees is reconciled regularly between timesheets and payroll reports to ensure that all time entered manually into payroll system is accurate.	Reconciled by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of reconciliation.	

Last updated:

Eastern Health Authority
22/11/2016

8.0 Payroll

8.1 **Objective**

Preparation of payroll for EHA staff. Staff are paid fortnightly by direct bank credit. Tasks include, leave recording, superannuation payments, and workers compensation claims.

8.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	5	Payroll masterfile does not remain pertinent	a	Payroll masterfile data is periodically reviewed for accuracy and pertinence.	Performed by:	Natajsha Bevitt	Team Leader - Administration	Evidence of periodic review.
			b	Departmental managers periodically review listings of current employees within their departments and notify the personnel department of necessary changes.	Performed by:	Departmental Managers		Evidence of periodic review.
			c	Payroll masterfile data is edited and validated. Identified errors are corrected.	Performed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Identified errors are documented.
			d	The ability to view, modify, or transfer information contained in the payroll masterfiles is restricted to authorised personnel.	Accessible by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
			e	Variations between payroll masterfiles and time recording system are investigated and appropriate action taken.	Investigated by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
			f	Significant changes (supported by adequate audit trail) to the payroll masterfiles approved by management	Approved by:	Michael Livori	Chief Executive Officer	Evidence of significant changes approved by management.

Last updated: Eastern Health Authority
22/11/2016

8.0 Payroll

8.1 **Objective** Preparation of payroll for EHA staff. Staff are paid fortnightly by direct bank credit. Tasks include, leave recording, superannuation payments, and workers compensation claims.

8.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
6	Voluntary and statutory payroll deductions are inaccurately processed.	a	The payroll deduction information is periodically reviewed for accuracy and ongoing pertinence.	Reviewed by:	Hayley Lambi	Administration Officer	Evidence of deduction information being reviewed.
		b	Changes to the payroll deduction information are compared to authorised source documents to ensure that they were input accurately.	Performed by:	Hayley Lambi	Administration Officer	Evidence of comparison undertaken.
		c	Payroll deduction information is periodically reviewed for compliance with statutory requirements.	Performed by:	Hayley Lambi	Administration Officer	Evidence of periodic review.
		d	All payroll deductions must be approved by the relevant employee.	Approved by:	Relevant employee		All deductions authorised by Employee in writing and copy kept in Electronic Personnel File
7	Salary sacrifice transactions are inaccurately processed.	a	All original salary sacrifice transactions must be approved by the relevant employee. Approval is obtained prior to processing transactions into the payroll system.	Approved by:	Relevant employee		All calculations authorised by CEO
		b	Management reviews a selection of salary sacrifice calculations for accuracy and compliance with statutory requirements; identified errors are promptly corrected.	Performed by:	Creative Auditing	Financial Consultant	All calculations authorised by CEO
8	Pay is not distributed to employees in a timely manner.	a	Procedures to pay staff manually in the event that the electronic bank payment systems are off-line.	Managed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Procedure to be prepared.

Last updated:

Eastern Health Authority
22/11/2016

9.0 Purchases and payments

9.1 **Objective**

Operation of a purchasing and payment function for EHA.

9.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	1	Petty cash is inadequately safeguarded.	a	Petty cash is stored in secured facilities (e.g. safes, registers).		Receiving Staff	Receiving Staff	Attached is the Cash Float reconciliation as at 30/06/2016.
			b	Access (i.e. passwords or keys) to the petty cash safes/registers is limited to appropriately designated staff.		Hayley Lambi	Administration Officer	Two staff assigned access to petty cash - Hayley Lambi and Mary Papageorgiou
			c	A register for cash petty cash is maintained by appropriately designated staff.		Hayley Lambi	Administration Officer	Electronic petty cash records kept.
			d	Petty cash is reconciled on a regular basis (i.e. daily) and these reconciliations are reviewed by an independent person.	Reviewed by:	Michael Livori	Chief Executive Officer	Reconciliation of petty cash records at reimbursement and approval by CEO
	2	Bank payments are either inaccurately recorded or not recorded at all.	a	EHA ensures an appropriate level of authority when advised of account numbers and account number changes for electronic transfers.	Checked by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of authorisation of account number changes
			b	Access to the creditor masterfile data is restricted to minimise the likelihood of unauthorised bank account number changes.	Restricted to:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Limited access in MYOB.
			c	Blank cheques kept stored securely.	Controlled by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Stored in Locked/Secure location

Last updated:

Eastern Health Authority
22/11/2016

9.0 Purchases and payments

9.1 **Objective**

Operation of a purchasing and payment function for EHA.

9.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
			d	Access to the electronic banking system requires two appropriately designated personnel.	1st approval:	Michael Livori	Chief Executive Officer	Note: Natajsha Bevitt alternative
					2nd approval:	Nadia Conci	Team Leader - Environmental Health	
			e	Bank statements are reviewed frequently so any unauthorised access can be identified in a timely manner (phishing).	Reviewed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
			f	Bank reconciliations are performed on a regular basis and are reviewed by an independent person. Any identified discrepancies are investigated immediately.	Performed by:	Natajsha Bevitt	Team Leader - Administration	
					Reviewed by:	Michael Livori	Chief Executive Officer	Evidence of independent review.
	3	Accounts payable amounts are either inaccurately recorded or not recorded at all	a	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable sub-ledger regularly and differences are investigated.	Reconciled by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
			b	Actual expenditures are compared to budget regularly; management reviews and approves significant variances.	Compared by:	Michael Livori	Chief Executive Officer	
			c	Invoices for services received are authorised and accompanied by appropriate supporting documentation.	Authorised by:	Departmental Managers		
			d	Goods received are matched with purchase order details and/or invoices.	Matched by:	Hayley Lambi	Administration Officer	

Last updated:

Eastern Health Authority
22/11/2016

9.0 Purchases and payments

9.1 **Objective**

Operation of a purchasing and payment function for EHA.

9.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	4	Creditor disbursements are not valid.	a	All disbursements must be approved by management in accordance with Delegations of Authority.	Approved by:	Michael Livori	Chief Executive Officer	
			b	Management reviews supporting documentation before approving payments.	Reviewed by:	Departmental Managers		Evidence of management independent review.
			c	There is a robust procedure for electronic funds transfer payments to reduce the likelihood of monies being credited to the wrong bank accounts.	Processed by:	Hayley Lambi	Administration Officer	
	5	Accounts payable are not paid on a timely basis	a	A process is in place for obtaining invoice authorisation in a timely manner.	Approved by:	Michael Livori	Chief Executive Officer	
			b	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable sub-ledger regularly and differences are investigated.	Reconciled by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	

Last updated: Eastern Health Authority
22/11/2016

9.0 Purchases and payments

9.1 **Objective** Operation of a purchasing and payment function for EHA.

9.2	Risks:		Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
6	Accrued expenses are either inaccurately recorded or not recorded at all	a	Actuals are compared to budget on a regular basis.	Compared by:	Accounting Officer		
			Accrued expenses reconciliations are prepared on a regular basis and are reviewed by an independent person.	Prepared by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	At the end of financial year.
				Reviewed by:	Creative Auditing	Financial Consultant	
7	EHA's cash reserves run out.	a	Management reviews cash position of EHA on an on-going basis, involving comparison to budgets; significant variances investigated by management.	Reviewed by:	Michael Livori	Chief Executive Officer	
			b	The Long Term Financial Plans are updated annually for actual income and expenditure.	Updated by:	Creative Auditing	Financial Consultant

Last updated:

Eastern Health Authority
22/11/2016

9.0 Purchases and payments

9.1 **Objective**

Operation of a purchasing and payment function for EHA.

9.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
8	EHA does not obtain value for money i.e. non preferred supplier in its purchasing and procurement	a		There is a robust selection process of preferred suppliers.				Refer to EHA Procurement Policy
		b		Significant contracts periodically re-tendered to ensure that Authority achieves value for money from suppliers.				
		c		Staff are provided clear guidance and instructions on the process for purchasing goods and services (including appropriate approval and obtaining appropriate number of quotes, where applicable).				
		d		Staff are provided clear guidance and instructions as to the importance of using preferred suppliers for the purchase of goods and services.				
		e		An exception report generated detailing all purchases made from non-preferred suppliers; management regularly reviews this report and investigates significant/unusual items.	Reviewed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	

Last updated:

Eastern Health Authority
22/11/2016

9.0 Purchases and payments

9.1 **Objective**

Operation of a purchasing and payment function for EHA.

9.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	9	Good and services are purchased without an approved purchase order	a	A purchase order authorisation list (Delegations of Authority) is maintained, specifying the amounts up to which individuals are authorised to approve purchase requisitions.	Approved by:	Michael Livori	Chief Executive Officer	Refer to EHA's Procurement Policy
			b	Employees must approve all purchase orders in accordance with the Delegations of Authority	Approved by:	Departmental Managers		
			c	Access to unissued purchase orders is restricted to authorised individuals.	Restricted by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
			d	Staff are provided clear guidance and instructions on the process for purchasing goods and services (including appropriate approval).	Approved by:	Michael Livori	Chief Executive Officer	

Last updated:

Eastern Health Authority
22/11/2016

9.0 Purchases and payments

9.1 **Objective**

Operation of a purchasing and payment function for EHA.

9.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	10	Supplier masterfile does not remain pertinent	a	Supplier masterfile data is periodically reviewed independently for accuracy and ongoing pertinence.	Reviewed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of periodic review.
			b	Significant changes to the supplier masterfile are approved by management.	Approved by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of approval.
			c	Access to the supplier masterfile is restricted to appropriately designated personnel.	Restricted to:	Natajsha Bevitt	Team Leader - Administration and	List of approved user access.
			d	Supplier masterfile is edited and validated; identified errors are corrected promptly.	Corrected by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Document identified errors.
			e	Suppliers that have not been used for a significant period of time are reviewed and marked for deletion by the application.	Deleted by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Evidence of review.

Last updated:

Eastern Health Authority
22/11/2016

9.0 Purchases and payments

9.1 **Objective**

Operation of a purchasing and payment function for EHA.

9.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	11	Credit Cards are used for inappropriate purchases	a	The issue of all Credit Cards to employees is approved prior to release.	Approved by:	Michael Livori	Chief Executive Officer	CEO is the only Credit Card holder for EHA
			b	Credit Card holders are provided with a copy of the policy and procedures associated with the issue and use of Credit Cards.				N/A
			c	Employees sign declaration confirming compliance with Authority policy and procedures prior to release of Credit Card.	Approved by:			N/A
			d	Usage restrictions placed on Credit card (i.e. only used for approved purchases from pre-approved businesses).	Reviewed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	
			e	All credit card statements sent directly to person independent from the credit card holder, who reviews the nature and amounts of items on the statements; any unusual items are investigated.	Reviewed by:	Natajsha Bevitt	Team Leader - Administration and Immunisation	Monthly reconciliation of credit card. Approved and Signed by Team Leader - Administration and Immunisation and CEO.

Last updated: Eastern Health Authority
22/11/2016

9.0 Purchases and payments

9.1 **Objective** Operation of a purchasing and payment function for EHA.

9.2	Risks:			Procedure:	Action	Name	Position Title	Commentary and/or Actions Required including Due Date (if applicable)
	12	Employees are reimbursed for expenses of a personal nature	a	All employees' reimbursements must be submitted on a signed pro-forma claim form confirming that the employee is claiming only valid expenses.	Approved by:	Employees		
			b	All claims for employee reimbursements are approved by management in accordance with Delegations of Authority. Management focus on the nature (i.e. type of expense) as well as the amount of the claim.	Approved by:	Departmental Managers		Evidence of management approval
			c	All claims for Employee Reimbursements are submitted for approval along with supporting documentary evidence (i.e. receipts).	Approved by:	Employees		

5.6 RISK AND OPPORTUNITY MANAGEMENT – UPDATED CORPORATE RISK SUMMARY

Author: Michael Livori
Ref: AF11/329

Summary

The Risk and Opportunity Management Policy and Framework for Eastern Health Authority (EHA) contemplate the analysis of organisational risks. A Corporate Risk Summary has been developed to assist with the assessment and maintenance of organisational risk. This report provides members with an updated version of the Corporate Risk Summary for consideration.

Report

It is important that EHA is pursuing its objectives and fulfilling its responsibilities with due diligence and accountability. To this end EHA must manage its risks in order to protect its employees, assets, liabilities and Constituent Councils against potential losses. Managing risks also assists in minimising uncertainty in achieving EHA goals and objectives and to maximise EHA opportunities.

To assist in the identification and management of risk relating to EHA a Risk and Opportunity Management Policy has been developed. The policy is based on the International Standard for Risk Management (ISO 31000:2009).

To complement the policy and to provide a formalised process for identifying and managing risk in a consistent manner, a Risk and Opportunity Management Framework has also been developed.

Using the framework as a guide a Corporate Risk Summary document which details corporate strategic risks has been developed. The document assists in the analysis and evaluation of risk and documents the controls that are in place and additional controls that may be required to manage the identified risks.

A copy of the current Corporate Risk Summary with suggested changes detailed as tracked changes is provided as attachment 1.

A copy of an amended Corporate Risk Summary with these changes accepted is provided as attachment 2.

RECOMMENDATION

That:

1. The report regarding the Risk and Opportunity Management – Updated Corporate Risk Summary is received.
2. The Risk and Opportunity Management – Updated Corporate Risk Summary marked attachment 2 is adopted.

Eastern Health Authority Risk and Opportunity Management Framework Matrix



Corporate Risk Summary

	Risk Description	Initial Risk Rating	Revised Consequence	Revised Likelihood	Revised Risk Rating
1.	Serious breach of legislation (other than WH&S) ¹ duty of care, standards and agreements threatening operations.	HIGH	4	B	HIGH
2.	WH&S not properly managed.	HIGH	5 <u>query</u> 4	B <u>C</u>	HIGH
3.	Business Plan objectives not appropriate or not achieved.	MODERATE	3	C	MODERATE
4.	Financial impact due to changes in government policy, or changes to service provision arrangements.	HIGH <u>MODERATE</u>	3	C	MODERATE
5.	Inability to recruit and retain appropriately qualified staff.	HIGH	4	C	HIGH
6.	A significant, unplanned, adverse event threatens the continued operations of the organisation.	MODERATE	3	B	MODERATE
7.	Inadequate business processes and systems to deliver services.	HIGH	3	B	MODERATE

¹ WH&S addressed in Risk Description No 2.

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Risk Assessment

Corporate Strategic Risks – Documentation of Key Risks and Opportunities

Date ~~Created~~Updated: 25-May-2016 16 November 2016

Ref	Risk Description	Existing Controls in place	Consequence	Likelihood	Rating	Additional Controls to be put in place	Consequence	Likelihood	Revised Rating	Priority	Resp	Timeframe
1.	Serious breach of legislation, duty of care, standards and agreements threatening operations	<ul style="list-style-type: none"> Local Govt Association provide support where required Staff trained in key legislation where appropriate. Clear reporting to Board on legislative requirements Delegations Register External Audit Charter Review Training schedule in place for key legislative areas including Public Health Act, Food Act and Local Government Act. Use of legal firms familiar with EHA operations to adequately deal with any civil claims. Professional Indemnity (PI) and Public liability (PL) Insurances in place and also built into all 	4	B	HIGH	<ul style="list-style-type: none"> Legislative audit (look at shared resource opportunity with other Councils to conduct audit) Governance Audit to be undertaken Update Policy Review (Timetable/Schedule) Timetable Regular meetings with staff regarding use of delegated authority. 	4	B	HIGH			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence	Likelihood	Rating	Additional Controls to be put in place	Consequence	Likelihood	Revised Rating	Priority	Resp	Timeframe
		contracts. <ul style="list-style-type: none"> Business Plan contemplates the monitoring of compliance of statutory requirements identified in the Charter. Required staff subject to DCSI employment screening checks. 										
2.	WH&S not properly managed.	Building Safety <ul style="list-style-type: none"> Building Security Procedures in place including monitored security alarm and access tags which are audited. Duress alarms installed for reception in new office to improve reception security. Minimal cash on site at all times. Staff training and awareness including dealing with aggressive people. Response team in place to deal with aggressive situations in short timeframe. Dedicated resources to inspect quality control, safety & facilities management/maintenance. Regular inspection audits undertaken of all equipment. 	5	B	HIGH	<ul style="list-style-type: none"> Improve and increase internal audit process. Implementation of Audit outcomes. Review system in line with legislative changes Development of Communicable Diseases Policy EHA Training Register updated and expanded. Emergency Management Plan updated in consultation with external consultant and distributed to all staff every 2 years. Participation in Emergency Management Planning Committee meetings for St Peters 	54	BC	HIGH			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence Likelihood	Rating	Additional Controls to be put in place	Consequence Likelihood	Revised Rating	Priority	Resp	Timeframe
		<ul style="list-style-type: none"> <u>Internal Audit process conducted every 3 years.</u> <u>Reviewed system in line with legislative changes.</u> — Annual Capital budget to provide for capital replacements as needed. (building and equipment maintenance). WH&S 3 year plan. <p><i>Staff Health</i></p> <ul style="list-style-type: none"> Health policy in place including: <ul style="list-style-type: none"> <u>All staff offered annual flu vaccinations.</u> <u>At risk staff offered Hepatitis A & B and Diphtheria, Tetanus and Pertussis vaccinations as required.-</u> Inform staff to stay home if sick. Sharp bins in place. Required staff subject to DCSI employment screening checks. 			<ul style="list-style-type: none"> <u>Town Hall Complex.</u> <u>Review and development of WH&S policies.</u> 					

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence	Likelihood	Rating	Additional Controls to be put in place	Consequence	Likelihood	Revised Rating	Priority	Resp	Timeframe
		<p><i>Other</i></p> <ul style="list-style-type: none"> Work safe Audit. Risk Assessments undertaken for all function activities, including: <ul style="list-style-type: none"> Maintain and distribute list of applicable legislation & legal obligations. 										
3.	Business Plan objectives not appropriate or not achieved.	<ul style="list-style-type: none"> Annual Business Plan in place. Annual review of Annual Business Plan undertaken including requests for input from Constituent Councils. Annual review of performance measures contained within Business Plan undertaken. Annual Report detailing activities and achievements for each financial year. Annual Report under the SA Public Health Act and Food Act submitted to relevant authorities. CEO/Board leadership. 	3	C	MODERATE	<ul style="list-style-type: none"> Service Improvement Review for all programs, /services/ and activities to be undertaken. Annual Business Plan and needs to be reviewed and improved. Corporate Performance Monitoring system including regular reporting to CEO to ensure Annual Business Plans implemented. 	3	C	MODERATE			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence	Likelihood	Rating	Additional Controls to be put in place	Consequence	Likelihood	Revised Rating	Priority	Resp	Timeframe
		<ul style="list-style-type: none"> • Organisational structure provides effective leadership. • Audit Committee established. • Organisational structure provides effective leadership. • Comparison Report developed and presented to the Board of Management. 										
4.	Financial impact due to changes in government policy or changes to service provision arrangements.	<ul style="list-style-type: none"> • Statutory Budget reviews undertaken. • Regular financial reporting to the Board. • Long Term Financial Plan (LTFP) to be developed and linked-developed and reviewed. • Annual Capital budget to provide for capital replacements as needed and 	3	C	MODERATE	<ul style="list-style-type: none"> • LTFP with adopted financial targets to be reviewed annually. • LTFP to be linked to Risk Management Plan. • Identify opportunities for relationship building with Constituent Councils. • Review and improve brochures/publication. 	3	C	MODERATE			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence Likelihood	Rating	Additional Controls to be put in place	Consequence Likelihood	Revised Rating	Priority	Resp	Timeframe
		for building and equipment maintenance. <ul style="list-style-type: none"> External Audit <u>conducted</u> annually. Grant funding opportunities monitored. Public image/Reputation maintained through: <ul style="list-style-type: none"> Internet Web site (<u>currently being upgraded.</u>) <u>Revision of information material.</u> <u>Promotion of services at Constituent Councils.</u> Brochures of services Cost centre for contract work Bi-monthly<u>Quarterly</u> Meeting of Constituent Council Contacts to maintain communication and provide updates. Minutes taken and distributed <u>of meetings.</u> Participation on Committees for Networking and education including: 			<ul style="list-style-type: none"> Introduce/expand surplus generating fee-based services to reduce dependence on government funding (<u>subject to Charter compliance</u>). <u>Continue to</u> identify opportunities for other board membership and participation on other committees for networking. 					

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence	Likelihood	Rating	Additional Controls to be put in place	Consequence	Likelihood	Revised Rating	Priority	Resp	Timeframe
		<ul style="list-style-type: none"> o Eastern Hoarding and Squalor Regional Public Health Planning Committee. o Immunisation Providers Network. o IMPS User Group. o Environmental Health Managers Forum including sub-committees. o Food Act MOU Working Group. o Environmental Health Australia state conference committee. o Meningococcal B vaccine study Operations Committee Group. 										
5.	Inability to recruit and retain appropriately qualified staff.	<ul style="list-style-type: none"> • Appropriate Staff recruitment process. • Appropriate Staff induction process. • Staff Social Club functions. • Use of SEEK.COM for ongoing 	4	D	HIGH	<ul style="list-style-type: none"> • Complete and implement CCS reorganisation review. Ensure suitable cover for senior staff. • Establish an intranet for internal communication. 	4	C	HIGH			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence Likelihood	Rating	Additional Controls to be put in place	Consequence Likelihood	Revised Rating	Priority	Resp	Timeframe
		<ul style="list-style-type: none"> recruitment. Comply with Awards and annual CPI wage increases. Professional development opportunities provided including study. Create team work ethos/innovative culture. Code of Conduct and other staff policies in place. High Performance at EHA Framework. General Staff Meetings held bi-monthly – Agenda item 'Ideas and Suggestions'. Quarterly Team Building sessions conducted with External Consultant. Explored employment opportunities for EHA staff at Constituent Councils. Performance Development Framework including identification of training needs. Benchmark/comparison exercise with other organisations conducted. Induction Process 			<ul style="list-style-type: none"> Conduct formal exit interviews and acting on them. Improve staff training programs focused upon developing staff skills, increased outcomes and customer focus. Benchmark with other organisations Develop leadership capabilities of staff. Annual staff surveys and reviews to determine job satisfaction and identify training needs. Succession for CEO in place. <ul style="list-style-type: none"> Employment opportunities for EHA staff at Constituent Councils. 					

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence	Likelihood	Rating	Additional Controls to be put in place	Consequence	Likelihood	Revised Rating	Priority	Resp	Timeframe
6.	A significant, unplanned, adverse event threatens operations of the organisation.	<ul style="list-style-type: none"> Business Continuity Plan (BCP) needs to be improved and staff trained. <u>BCP currently being reviewed by LGA.</u> Emergency Management Plan (EMP) needs to be improved and staff trained. Monitored fire alarm in place. Building evacuation drills. IT back-up tapes off site and offsite storage of records. <u>ITC Disaster Recovery Project commenced.</u> Preventative Maintenance Plans in place for building and equipment and regular inspections. Appropriate building, asset and 	4	B	HIGH	<ul style="list-style-type: none"> Review and improve BCP and EMP to identify any gaps and "what if" scenarios. <u>Review roles and responsibilities and resourcing of BCP co-ordination.</u> Testing of EMP. Test of the BCP to be undertaken affecting whole organisation. <u>Finalise Move to Cloud based ITC environment.</u> <u>Disaster Recovery Project to be implemented in 2016</u> <u>Review roles and responsibilities and</u> 	3	B	MODERATE			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence	Likelihood	Rating	Additional Controls to be put in place	Consequence	Likelihood	Revised Rating	Priority	Resp	Timeframe
		business insurance in place. <ul style="list-style-type: none"> • Key staff have <u>staff have</u> mobile phones. • Call diversion facility with Optus for business phones • Regular phone system maintenance and system upgrades with Optus. 				resourcing of BCP co-ordination. <ul style="list-style-type: none"> • Update and have regular training of Executive and staff. 						

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence	Likelihood	Rating	Additional Controls to be put in place	Consequence	Likelihood	Revised Rating	Priority	Resp	Timeframe
7.	Inadequate business processes and systems to deliver services.	<ul style="list-style-type: none"> Induction program to ensure all staff trained in correct use of <u>organisational systems, Policies and Standard Operating Procedures.</u> information provided to public and cultural awareness. Proper id of roles and responsibilities re: corporate systems and processes. Development of the Performance Management Framework for all staff. Informal performance management system in place with regular team meetings. Strong emphasis on multiskilling. Clear policies and procedures in place relating to financial management and <u>development of Internal Controls Register</u> to manage risks. eg. fraud Purchasing and tendering <u>framework Policy</u> in place. Use of LGCS purchasing arrangements. 	4	C	HIGH	<ul style="list-style-type: none"> Risk Management Framework<u>Management Framework</u> implementation to be undertaken<u>be undertaken</u> in 2013/2016. Conduct a review and evaluation of Board performance in line with a continued focus on appropriate governance. Service Improvement Review for all programs, services, activities. Undertake gap analysis on any policies or procedures required. Efficiency and Effectiveness Review. 	3	B	MODERATE			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence	Likelihood	Rating	Additional Controls to be put in place	Consequence	Likelihood	Revised Rating	Priority	Resp	Timeframe
		<ul style="list-style-type: none"> Shared service arrangements to be reviewed where possible. Legal advice available when needed. Review Organisational Structure. Regular maintenance and system administration activities 										

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Corporate Risk Summary

	Risk Description	Initial Risk Rating	Revised Consequence	Revised Likelihood	Revised Risk Rating
1.	Serious breach of legislation (other than WH&S) ¹ duty of care, standards and agreements threatening operations.	HIGH	4	B	HIGH
2.	WH&S not properly managed.	HIGH	4	C	HIGH
3.	Business Plan objectives not appropriate or not achieved.	MODERATE	3	C	MODERATE
4.	Financial impact due to changes in government policy, or changes to service provision arrangements.	MODERATE	3	C	MODERATE
5.	Inability to recruit and retain appropriately qualified staff.	HIGH	4	C	HIGH
6	A significant, unplanned, adverse event threatens the continued operations of the organisation.	MODERATE	3	B	MODERATE
7.	Inadequate business processes and systems to deliver services.	HIGH	3	B	MODERATE

¹ WH&S addressed in Risk Description No 2.

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Risk Assessment

Corporate Strategic Risks – Documentation of Key Risks and Opportunities

Date Updated: 16 November 2016

Ref	Risk Description	Existing Controls in place	Consequence Likelihood		Rating	Additional Controls to be put in place	Consequence Likelihood		Revised Rating	Priority	Resp	Timeframe
			Consequence	Likelihood			Consequence	Likelihood				
1.	Serious breach of legislation, duty of care, standards and agreements threatening operations	<ul style="list-style-type: none"> Local Govt Association provide support where required Staff trained in key legislation where appropriate. Clear reporting to Board on legislative requirements Delegations Register External Audit Charter Review Training schedule in place for key legislative areas including Public Health Act, Food Act and Local Government Act. Use of legal firms familiar with EHA operations to adequately deal with any civil claims. Professional Indemnity (PI) and Public liability (PL) Insurances in place and also built into all contracts. 	4	B	HIGH	<ul style="list-style-type: none"> Legislative audit Governance Audit to be undertaken Update Policy Review Timetable Regular meetings with staff regarding use of delegated authority. 	4	B	HIGH			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence Likelihood		Rating	Additional Controls to be put in place	Consequence Likelihood		Revised Rating	Priority	Resp	Timeframe
		<ul style="list-style-type: none"> Business Plan contemplates the monitoring of compliance of statutory requirements identified in the Charter. Required staff subject to DCSI employment screening checks. 										
2.	WH&S not properly managed.	<p><i>Building Safety</i></p> <ul style="list-style-type: none"> Building Security Procedures in place including monitored security alarm and access tags which are audited. Duress alarms installed for reception to improve reception security. Minimal cash on site at all times. Staff training and awareness including dealing with aggressive people. Response team in place to deal with aggressive situations in short timeframe. Regular inspection audits undertaken of all equipment. Internal Audit process conducted every 3 years. Reviewed system in line with 	5	B	HIGH	<ul style="list-style-type: none"> Improve and increase internal audit process. Implementation of Audit outcomes. EHA Training Register updated and expanded. Emergency Management Plan updated in consultation with external consultant and distributed to all staff every 2 years. Participation in Emergency Management Planning Committee meetings for St Peters Town Hall Complex. Review and development of WH&S policies. 	4	C	HIGH			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence Likelihood		Rating	Additional Controls to be put in place	Consequence Likelihood		Revised Rating	Priority	Resp	Timeframe
			Consequence	Likelihood			Consequence	Likelihood				
		legislative changes. <ul style="list-style-type: none"> Annual Capital budget to provide for capital replacements as needed. (building and equipment maintenance). WH&S 3 year plan. <p><i>Staff Health</i></p> <ul style="list-style-type: none"> Health policy in place including: <ul style="list-style-type: none"> All staff offered annual flu vaccinations. At risk staff offered Hepatitis A & B and Diphtheria, Tetanus and Pertussis vaccinations as required. Inform staff to stay home if sick. <p><i>Other.</i></p> <ul style="list-style-type: none"> Risk Assessments undertaken for all function activities. Maintain and distribute list of applicable legislation & legal obligations.										
3.	Business Plan	<ul style="list-style-type: none"> Annual Business Plan in place. 	3	C	MODERATE	<ul style="list-style-type: none"> Service Improvement 	3	C	MODERATE			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence		Rating	Additional Controls to be put in place		Consequence		Revised Rating	Priority	Resp	Timeframe
				Likelihood			Likelihood						
	objectives not appropriate or not achieved.	<ul style="list-style-type: none"> Annual review of Annual Business Plan undertaken including requests for input from Constituent Councils. Annual review of performance measures contained within Business Plan undertaken. Annual Report detailing activities and achievements for each financial year. Annual Report under the SA Public Health Act and Food Act submitted to relevant authorities. CEO/Board leadership. Organisational structure provides effective leadership. Audit Committee established. Comparison Report developed and presented to the Board of Management. 				Review for all programs, services and activities to be undertaken.							
4.	Financial	<ul style="list-style-type: none"> Statutory Budget reviews 	3	C	MODERATE	<ul style="list-style-type: none"> Review and improve 	3	C	MODERATE				

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence		Rating	Additional Controls to be put in place		Consequence		Revised Rating	Priority	Resp	Timeframe
			Likelihood	Likelihood		Likelihood	Likelihood						
	impact due to changes in government policy or changes to service provision arrangements.	undertaken. <ul style="list-style-type: none"> • Regular financial reporting to the Board. • Long Term Financial Plan (LTFP) developed and reviewed. • Annual Capital budget to provide for capital replacements as needed and for building and equipment maintenance. • External Audit conducted annually. • Grant funding opportunities monitored. • Public image/Reputation maintained through: <ul style="list-style-type: none"> ○ Internet Web site (currently being upgraded.) ○ Revision of information material. ○ Promotion of services at Constituent Councils. • Quarterly Meeting of Constituent Council Contacts to maintain communication and 				brochures/publication. <ul style="list-style-type: none"> • Introduce/expand surplus generating fee-based services to reduce dependence on government funding (subject to Charter compliance). • Continue to identify opportunities for other board membership and participation on other committees for networking. 							

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence Likelihood		Rating	Additional Controls to be put in place	Consequence Likelihood		Revised Rating	Priority	Resp	Timeframe
			Consequence	Likelihood			Consequence	Likelihood				
		<p>provide updates. Minutes taken and distributed.</p> <ul style="list-style-type: none"> • Participation on Committees for Networking and education including: <ul style="list-style-type: none"> ○ Eastern Hoarding and Squalor Regional Public Health Planning Committee. ○ Immunisation Providers Network. ○ IMPS User Group. ○ Environmental Health Managers Forum including sub-committees. ○ Food Act MOU Working Group. ○ Environmental Health Australia state conference committee. ○ Meningococcal B vaccine study Operations Committee Group. 										
5.	Inability to	<ul style="list-style-type: none"> • Appropriate Staff recruitment 	4	D	HIGH	<ul style="list-style-type: none"> • Establish an intranet for 	4	C	HIGH			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence Likelihood	Rating	Additional Controls to be put in place	Consequence Likelihood	Revised Rating	Priority	Resp	Timeframe
	recruit and retain appropriately qualified staff.	process. <ul style="list-style-type: none"> • Appropriate Staff induction process. • Staff Social Club functions. • Use of SEEK.COM for ongoing recruitment. • Comply with Awards and annual CPI wage increases. • Professional development opportunities provided including study. • Create team work ethos/innovative culture. • Code of Conduct and other staff policies in place. • High Performance at EHA Framework. • General Staff Meetings held bi-monthly – Agenda item ‘Ideas and Suggestions’. • Quarterly Team Building sessions conducted with External Consultant. • Explored employment opportunities for EHA staff at Constituent Councils. • Performance Development 			internal communication. <ul style="list-style-type: none"> • Conduct formal exit interviews and acting on them. • Develop leadership capabilities of staff. • Succession for CEO in place. 					

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence Likelihood		Rating	Additional Controls to be put in place	Consequence Likelihood		Revised Rating	Priority	Resp	Timeframe
		<p>Framework including identification of training needs.</p> <ul style="list-style-type: none"> Benchmark/comparison exercise with other organisations conducted. 										
6.	A significant, unplanned, adverse event threatens operations of the organisation.	<ul style="list-style-type: none"> Business Continuity Plan (BCP) to be improved and staff trained. BCP currently being reviewed by LGA. Emergency Management Plan (EMP) needs to be improved and staff trained. Monitored fire alarm in place. Building evacuation drills. IT back-up tapes off site and offsite storage of records. ITC Disaster Recovery Project commenced. Preventative Maintenance Plans in place for building and equipment and regular inspections. Appropriate building, asset and business insurance in place. Key staff have mobile phones. Call diversion facility with Optus 	4	B	HIGH	<ul style="list-style-type: none"> Review and improve BCP and EMP to identify any gaps and “what if” scenarios. Review roles and responsibilities and resourcing of BCP co-ordination. Testing of EMP. Test of the BCP to be undertaken affecting whole organisation. Finalise move to Cloud based ITC environment. Update and have regular training of Executive and staff. 	3	B	MODERATE			

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence		Rating	Consequence		Revised Rating	Priority	Resp	Timeframe
			Likelihood			Likelihood					
		for business phones <ul style="list-style-type: none"> Regular phone system maintenance and system upgrades with Optus. 									

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Eastern Health Authority Risk and Opportunity Management Framework Matrix

Ref	Risk Description	Existing Controls in place	Consequence Likelihood		Rating	Additional Controls to be put in place	Consequence Likelihood		Revised Rating	Priority	Resp	Timeframe
			Consequence	Likelihood			Consequence	Likelihood				
7.	Inadequate business processes and systems to deliver services.	<ul style="list-style-type: none"> • Induction program to ensure all staff trained in correct use of organisational systems, Policies and Standard Operating Procedures. • Development of the Performance Management Framework for all staff. • Informal performance management system in place with regular team meetings. • Strong emphasis on multiskilling. • Clear policies and procedures in place relating to financial management and development of Internal Controls Register to manage risks. eg. fraud • Purchasing and tendering Policy in place. • Use of LGCS purchasing arrangements. • Shared service arrangements to be reviewed where possible. • Legal advice available when needed. • Review Organisational Structure. 	4	C	HIGH	<ul style="list-style-type: none"> • Risk Management Framework implementation to be undertaken in 2016. • Conduct a review and evaluation of Board performance in line with a continued focus on appropriate governance. • Service Improvement Review for all programs, services, activities. • Undertake gap analysis on any policies or procedures required. • Efficiency and Effectiveness Review. 	3	B	MODERATE			

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