



**Department of Families, Housing,
Community Services and Indigenous
Affairs**

**Review of Physical Disability
Australia**

Final Report

May 2011
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The procedures outlined in this report, including Sections 3 and 6, do not constitute a financial acquittal or audit of Physical Disability Australia (PDA) use of funding provided under its funding agreement with the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). Instead, the engagement considers the organisation's financial and governance arrangements and identifies those areas where there does appear to be a failure to comply fully with the requirements of the funding agreements for the period 2008/09 and 2009 to-2011, or identifies other performance matters that are considered to be important for an organisation such as PDA.

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The findings in this report have been formed on the above basis.



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1 Executive summary

1.1 Purpose of this review

The Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) National Secretariat Program provides funding for a range of peak bodies, including Physical Disability Australia (PDA).

PDA, a peak body, is a not-for-profit entity that provides systemic advocacy assistance on behalf of those with a physical disability. PDA is funded under the National Secretariat Program although from time to time receive funding from sources other than FaHCSIA, including other federal government agencies.

In response to a number of complaints from former Board members about PDA's corporate governance and financial management practices, FaHCSIA requested KPMG undertake a review of these arrangements at PDA.

Specifically, the terms of reference for this review required KPMG to consider PDA's:

- compliance with the National Secretariat Program Funding agreement across the period 2008/09 and 2009 to 2011
- corporate governance structure, and
- internal financial controls.

1.2 Structure of this report

The findings of our review are presented in this report in three sections:

- 1 *Compliance with the Funding Agreement.* This section summarises our observations relating to key areas of compliance and non-compliance with the requirements of the funding agreement for the *National Secretariat Program* for the period 2008 to 2011.
- 2 *Governance structure.* This section provides our observations about PDA's corporate governance arrangements including Board membership and decision making processes within the organisation.
- 3 *Internal financial controls.* This section provides our observations related to PDA's financial management (and specifically the internal control environment).

This report seeks to highlight aspects of PDA's performance that could be improved as well as areas of non-compliance with the funding agreement with FaHCSIA. We also make recommendations for improvement where areas of deficiency in corporate governance or internal controls were noted. Our recommendations are classified as follows.

- **High Priority** - Requires immediate action by the Board

- **Medium Priority** – Requires implementation by Board within three months
- **Low Priority** - Requires implementation by Board within six months
- **Performance Improvement Observation (PIO)** - Requires the Board's consideration within 12 months

1.3 Summary of recommendations

Our review found that PDA's corporate governance and financial management arrangements have improved over the last 18 months but there remain a number of areas that require further improvement. PDA have recently introduced a number of internal financial controls, recruited a number of new board members with substantial, relevant experience, and have invested significant time in better documenting their governing arrangements. However, our review also found the following areas require further improvement:

Compliance with the Funding Agreement

- KPMG recommends that Board members be familiar with the requirements of the FaHCSIA funding agreement and the Board more closely monitor compliance with the reporting requirements of the contract. (Recommendation 2, Priority - High)
- To increase the focus on measuring the *effectiveness* of PDA's advocacy efforts, KPMG recommends FaHCSIA liaise with PDA to discuss amendment to the NSP funding agreement performance indicators so they measure both the quantity *and* effectiveness of PDA's advocacy activity. (Recommendation 3, Priority - Medium)

Governance structure

- Although PDA has documented procedures to review their strategic plan, there is no evidence of this occurring in the board meeting minutes over the past 18 months. KPMG recommends PDA introduces arrangements to ensure regular monitoring of their progress against the strategic plan. (Recommendation 1, Priority - Medium)
- KPMG recommends that the roles and responsibilities of the Executive Officer, President, Executive and Board include not just statements of principles but also specific financial and operational delegations that state the thresholds at which approval for expenditure must be obtained. This may improve the transparency of decision making within the organisation and help ensure that the decision making process can be justified and defended to both PDA's membership and to external parties. (Recommendation 4, Priority - High)
- As part of the Board's assessment of itself, the organisation and its Executive Officer, KPMG recommends that PDA include an assessment of compliance with its own governance policies and procedures. (Recommendation 5, Priority - Medium)
- The quality of communication with Board members requires improvement. KPMG recommends that PDA provide board papers, the induction pack and monthly financial

information that provide a summarised analysis that is relevant to the Board members and their responsibilities. (Recommendation 6, Priority - Medium)

Internal financial controls

- PDA's Treasurer and Executive Officer prepared PDA's FY 2011 budget after the year had commenced, with the Board approving the budget in July 2010. KPMG recommends that PDA set and approve their annual budget prior to the start of the budget's financial year. (Recommendation 7, Priority - Low)
- The existing financial reporting to PDA's Board is infrequent and does not provide any explanation of over budget expenditure. KPMG recommends that the Executive Officer provide all board members with a financial reporting pack at least one week prior to the board meetings. KPMG also recommends that this pack includes a profit and loss, budget variance analysis, a forecast of the likely year-end position, balance sheet and a list of all transactions since the last board meeting. (Recommendation 8, Priority - High)
- While PDA's external bookkeeper provides the bank reconciliations to PDA's Executive Officer for review, there is no evidence of this review being completed. KPMG recommends that the Executive Officer and Treasurer sign off the monthly bank reconciliation as this is a key financial control to help ensure that the financial records of the organisation are complete and accurate. (Recommendation 9, Priority - High)
- KPMG recommends that the Treasurer documents the financial management activities required to be completed by the Executive Officer. In doing so, KPMG recommends that these requirements be included in PDA's governance policies and the Executive Officers performance criteria. (Recommendation 10, Priority - Medium)
- Although PDA received funding for advocacy activities from a federal government agency in addition to FaHCSIA in FY2010, the Executive Officer's wages were fully allocated to the NSP funding (i.e. FaHCSIA) acquittal. KPMG recommends that should PDA take on programs in addition to the NSP in the future, a more accurate allocation of expenditure, and in particular the wages of PDA staff, is undertaken. (Recommendation 11, Priority – Medium)

An action plan, which may assist with the monitoring of PDA's implementation of the recommendations, has been developed and is attached to this report at Appendix 1.

It is important to note that while compliance with its own governance policies may assist PDA to establish a strong governance culture within the organisation, good corporate governance is a necessary, but not sufficient element of organisational success. That is, a poor governance environment can harm an organisation but, cannot by itself, ensure the organisation achieves its objectives. Therefore, the PDA Board must ensure that it addresses *both* the conformance and performance of the organisation.

This is particularly the case because the organisation has a single permanent employee and so complex and time-consuming governance policies may divert time away from the organisation's primary purpose – being systemic advocacy on behalf of people with a physical disability.

Consequently, while PDA should invest time to strengthen some of the key financial and operational controls identified in this report, time invested in corporate governance procedures should be commensurate with the size of the organisation.

While the development of the current set of governance policies is a positive step, in order for the organisation to be an effective peak body and in order for it to fulfil the requirements of the contract with FaHCSIA, most of the organisation's resources must be devoted to achieving its core objectives. In this context, the establishment by the Board of working groups to drive key actions in four priority areas is a positive development.

During our engagement we also identified a further area of risk that the organisation should actively manage. PDA has decided to bring their book-keeping function in-house. Should this occur, the Board will have to ensure that the staff member responsible for the accounting function has the appropriate level of skill to operate independently and sufficient support to ensure financial procedures are better practice¹.

1.4 Conclusions

Our review found that PDA's corporate governance and financial management arrangements have improved over the last 18 months but further improvement is required to ensure accountability and transparency in decision making and efficient and effective resource allocation. To this end, this report makes 11 recommendations to improve PDA's compliance with its NSP funding agreement, corporate governance and internal control environment.

¹ KPMG notes that PDA's bookkeeping function now occurs in house.

2 Background

2.1 Introduction

PDA is a small organisation. The Executive Officer is the organisation's only permanent employee and is responsible for all of PDA's operational activities and administrative requirements. The Executive Officer reports to a Board of eight Directors. The organisation is highly dependent on funding from the National Secretariat Program (NSP). However, we note that in 2010, in addition to their NSP funding of \$162,366, PDA received one off funding of \$470,000 (GST exclusive) from Ausaid for the organisation and administration of a disability conference with delegates from the Chinese Disabled Peoples Federation. During this period, PDA recruited an additional temporary staff member to assist with the event's organisation and delivery.

Currently, an external bookkeeping firm undertakes PDA's accounting function and provides financial reporting for distribution to the PDA Executive Officer and Board.

The Executive officer stated that PDA has a membership base of about 2,000 members and 300 organisations.

Across the period reviewed, FaHCSIA funded PDA under two NSP funding agreements:

- 2008/09 NSP funding agreement, and
- 2009 – 2011 NSP funding agreement.

The funding agreements outline a range of reporting obligations and required activities. The 2009 – 2011 funding agreement requires PDA to complete the following activities:

- Provide national leadership for people with physical disability by representing views to their constituents to government, business and community sector.
- Support and assist state/territory organisations for people with physical disability.
- Develop and maintain effective links with Government and non-government with an interest in issues impacting on people with physical disability.
- Contribute to government policy and service delivery through the provision of high quality and timely advice, by providing input into Australian Government reviews, inquiries and consultative processes.
- Provide FaHCSIA with advice on emerging issues and trends affecting people with physical disability and respond to requests from FaHCSIA for input into submissions, or ad hoc reports, in a timely manner. Also ensure PDA's members' views re reflected in any advice provided.
- Facilitate the flow of information between the Government and PDA's sector by factually informing members, and the sector, about Australian Government policies, programs and services related to people with physical disability by mechanisms such as mail outs, standard spaces in PDA's newsletter, and up to date publication of information on the PDA website. Information flow may be initiated by FaHCSIA or PDA.

- Provide FaHCSIA with an annual evidenced based policy paper on a mutually agreed issue/topic.
- Ensure that data and information about FaHCSIA used in documents produced by PDA is accurate. Where an error is identified, the Departmental Officer must be alerted and the error corrected.
- Maintain membership with the Australian Federation of Disability Organisations (ADFO) and work collaboratively with AFDO and other disability peak organisations on key issues impacting on people with disability.

In October 2009, several concerns about the operations of Physical Disability Australia were brought to the attention of the Department.

The concerns were raised by two individuals who had served on the PDA board and can be categorised as follows:

- Governance practices
- Financial accountability and reporting, and
- FaHCSIA funding issues.

Specific problems raised with the Department included:

- resistance from PDA to change its governance practices
- factional splits within the board
- concerns regarding the level of consultation with members
- concerns that the updated Constitution was not properly approved
- issues about how funds were spent, and
- failure to provide financial information to board members.

3 Compliance with the NSP Funding Agreement

FaHCSIA provided funding support to PDA across two separate funding periods, 2008-09 and 2009 to 2011, under the *National Secretariat Program*. KPMG’s review involved assessment of the arrangements PDA has in place to ensure compliance with key clauses of the funding agreement. Specifically KPMG assessed PDA’s:

- internal controls to monitor compliance with the funding agreement
- history in meeting reporting requirements
- compliance with the performance indicators, and
- compliance with the funding agreement’s insurance and subcontracting provisions.

3.1 Compliance controls

3.1.1 Strategic plan

The President of the Board advised that PDA’s strategic plan reflects the NSP performance indicators. KPMG examined PDA’s strategic plan for the period 2009 – 2012 and in general it aligns with the required activities set out in the NSP Funding Agreement for 2009 – 2011 (see table 1 below).

While PDA’s strategic plan does not reflect the entire list of requirements under the NSP funding agreement, those items not reflected relate to operational or tactical requirements of the funding agreement rather than being of strategic nature. Therefore the omission of these requirements from the strategic plan is appropriate.

Table 1: Comparative analysis of PDA’s strategic plan and the NSP funding agreement

Key requirements NSP Funding Agreement	PDA strategic planning objectives
<ul style="list-style-type: none"> • Provide national leadership for people with a physical disability by representing views of constituents to the Government, business and community sector. 	<ul style="list-style-type: none"> • Creating meaningful and workable partnerships with key stakeholders • Create awareness of the needs and rights for people with physical disability • Promote PDA to politicians and state governments
<ul style="list-style-type: none"> • Support and assist state/territory peak organisations for people with physical disability. 	<ul style="list-style-type: none"> • Creating meaningful and workable partnerships with key stakeholders • Support cultural development activities between people with physical disabilities and key stakeholders. • Investigate development of disability awareness
<ul style="list-style-type: none"> • Develop and maintain collaborative and effective links with Government and nongovernment organisations with interests in 	<ul style="list-style-type: none"> • Creating meaningful and workable partnerships with key stakeholders

Key requirements NSP Funding Agreement	PDA strategic planning objectives
issues impacting on people with physical disability.	
<ul style="list-style-type: none"> Contribute to Government policy and service delivery through the provision of high quality and timely advice, by providing input into Australian Government reviews, inquiries and consultative processes. 	<ul style="list-style-type: none"> Lobbying and contributing to national enquiries
<ul style="list-style-type: none"> Provide FaHCSIA with advice on emerging issues and trends affecting people with physical disability and respond to requests for input into submissions, or ad hoc reports, in a timely manner. And to ensure members' view are reflected in any advice provided. 	<ul style="list-style-type: none"> Identify the needs of people with physical disabilities via research agenda Engaging consumers at the local level
<ul style="list-style-type: none"> Facilitate the flow of information between the Government and PDA's sector by factually informing members, and the sector, about Australian Government policies, programs and services related to people with physical disability. 	<ul style="list-style-type: none"> Develop communication and marketing strategy
<ul style="list-style-type: none"> Provide FaHCSIA with an annual evidenced based policy paper on a mutually agreed issue/topic. 	<ul style="list-style-type: none"> Not reflected
<ul style="list-style-type: none"> Ensure that all data and information about FaHCSIA and used in documents produced by PDA is accurate. 	<ul style="list-style-type: none"> Not reflected
<ul style="list-style-type: none"> Maintain membership with ADFO 	<ul style="list-style-type: none"> Not reflected

3.1.2 Performance measurement

While PDA has a strategic plan, in order for this document to be an effective driver of performance, PDA's performance must be assessed against the strategic plan at regular intervals.

PDA has some formal procedures to monitor performance against the strategic plan. Discussions with the Board members indicate that they assess the organisation's performance at a minimum, at the Annual General Meeting (AGM). Further, the strategic plan outlines that a progress assessment will occur in January 2011.

However, based on KPMG's review of the AGM minutes for 2011, the Board did not assess PDA's performance against the strategic plan, and while there is some evidence that a high-level assessment was completed in January 2011 (the strategic plan contains comments about the status of each activity), KPMG notes that the minutes from the board meeting in January 2011 do not note this assessment and so it is unclear whether the status update was undertaken solely by the Executive Officer or was as a result of Board discussion.

Recommendation 1

Priority – Medium

KPMG recommends that the PDA Board and Executive Officer ensure regular monitoring of

their progress against the strategic plan, and consequently NSP funding requirements. To this end, KPMG recommends that the Board Agenda includes a review of the organisation's performance on at least a 6-monthly basis.

3.2 Compliance with reporting requirements

3.2.1 PDA performance against reporting requirements of funding agreement

The National Secretariat Program funding agreement contains a number of reporting requirements for PDA. Discussions with the PDA Executive Officer revealed that on a number of occasions the organisation failed to comply with the reporting requirements of their 2008-09 and 2009-11 funding agreements. The table below shows the timing of PDA reporting across the review period.

Year	Report	Due Date	Compliance based on PDA advice
2008-09	Statement of Activity	27 February 2009	Failed to meet reporting requirements on time. Submitted 14 April 2009
2008-09	Final policy paper	31 March 2009	Met reporting requirements. Submitted 27 March 2009
2009-10	Final performance report	30 October 2009	Reporting date not provided by PDA
2009-10	Final audited report	30 October 2009	Failed to meet reporting requirements on time. Submitted 20 November 2009
2009-10	Annual report	30 October 2009	Failed to meet reporting requirements on time. Submitted 20 November 2009
2009-10	Performance progress report	30 January 2010	Unable to assess, information not provided by PDA
2010-11	Mid term performance progress report	30 August 2010	Failed to meet reporting requirements on time. Submitted 21 September 2010.
2010-11	Annual Report	30 September 2010	Failed to meet reporting requirements on time.

Year	Report	Due Date	Compliance based on PDA advice
			Submitted December 2010.
2010-11	Financial acquittal	31 October 2010 Extension granted to 5 December 2010	Failed to meet reporting requirements on time, however an extension was granted.
2010-11	Progress performance report	30 January 2011	Reporting date not provided by PDA

KPMG has considered PDA’s compliance with the contract reporting requirements outlined above only. KPMG understands that PDA provides additional submissions to the Department and has not reviewed the timeliness of the submission of these reports.

3.2.2 Reporting controls

PDA’s board members are not sufficiently aware of the requirements of the NSP funding agreement. Based on our interviews with all seven Board members, a number were unaware of the timing of the NSP reporting requirements or the extent of reports required under the funding agreement. Three of the seven board members were elected in 2010, as such the limited knowledge of the specific funding agreement requirements may, in part, be due to their recent appointment. Despite this, given that the NSP fully funds PDA’s operations, an understanding of the funding requirements should be fundamental knowledge for a PDA board member and therefore should be provided as part of the board member induction pack.

A review of the board meeting minutes from 2008 to date indicates that although on occasion the Board notes the requirement to review the NSP performance report, the Board discussions did not address upcoming deadlines or compliance with the NSP reporting timetable. Given the lack of timeliness in submitting contract reports to FaHCSIA, regular monitoring by the board of the preparation of this report would be expected.

<i>Recommendation 2</i>	<i>Priority – High</i>
<p>KPMG recommends that PDA provide all board members with a summary of the NSP funding agreement, including the key performance indicators, and reporting requirements and timeframes.</p> <p>KPMG also recommends that the PDA Board and Executive Officer introduce adequate arrangements to maintain compliance with the reporting requirements of the funding agreement. KPMG recommends that such arrangements consist of regular monitoring of upcoming</p>	

deadlines, management's subsequent compliance and review of the evidence provided to FaHCSIA to demonstrate compliance with the funding agreement. PDA can achieve this by including reporting compliance as a standing agenda item for the board meetings.

3.3 Compliance with performance indicators

PDA's Executive Officer and a number of Board Members advised that the organisation has focused on revising their governing arrangements over the past 12 to 18 months, and that this has necessarily required the investment of significant time by the Executive Officer, sometimes at the expense of PDA's advocacy activities. Over the last 18 months, PDA has completed the following:

- revised their policies and procedures
- amended their constitution, and
- created a Director's induction kit.

Across the same period, PDA also received \$470,000 from Ausaid to organise and host a physical disability conference with a range of Chinese delegates. The Executive Officer noted that while additional staff were hired to undertake aspects of this program, a significant amount of her time was also invested in delivering this program.

Despite these other focuses, the reports to FaHCSIA about PDA's core activities (that is, the activity funded by the NSP), do not show any particular change in the quantity or quality of advocacy output. This is largely because the outputs of PDA are described in non-specific language with an absence of indicators that measure PDA's impact. For example, in the 2010-11 Mid-term Activity Report, it was stated that 'PDA collaborates and has developed links with various Government and non-government organisations on a day to day basis, including telephone discussions, teleconferences, meetings, collaboration on particular issues of both parties, and other ways to develop the interests of people with disability in Australia'. The list of organisations that PDA states it has interacted with does not provide evidence about the effectiveness or quality of discussions. This is important because the contract objective is to 'Develop and maintain collaborative and effective links'.

3.3.1 Effectiveness of the NSP performance indicators

The NSP performance indicators are as follows:

- 1 The number of pieces of expert advice provided to Government to contribute to the policy discussion in relation to the issues and trends affecting people with physical disability. Target – 10 papers over the life of the agreement.
- 2 The extent to which key stakeholders are satisfied with the support and advice provided by PDA, including the amount and quality of consultation, the usefulness of information provided, and satisfaction of their representation to government.

- 3 The number of activities held with government, non-government and community representation that supports the sharing of information. Target 10 per annum.

We note that the NSP performance metric 1 and 3 focus on the quantity of advocacy effort, as opposed to the *quality* or *effectiveness* of PDA's advice and information sharing activities. While performance metric 2 does request an assessment of the stakeholder satisfaction this is a broad requirement.

We acknowledge that PDA have completed two member surveys on the effectiveness of their activities, however the first survey was in relation to a specific program of consultation (rather than PDA's activities in general) and the second survey is still being run. KPMG reviewed the questions in the current survey and interim results (as at the time of our site visit) and it appears that the survey will go some way to providing PDA with useful feedback on members views about the effectiveness of the organisation. In order to maximise the usefulness of the survey results, PDA should ensure that the same questions are asked in future surveys so that changes in perceptions of PDA effectiveness can be measured over time.

KPMG notes that PDA's reporting to FaHCSIA of their performance against the NSP performance metrics takes the form of a high-level list of work effort. That is, the report outlines quantities of activities rather than the outcomes achieved, number of participants or analysis of their efforts. To the extent that the performance indicator asks for the quantity of contribution to government, based on PDA's reports to FaHCSIA, it appears to be meeting the requirement.

While it is a requirement of the current contract for PDA to count the number of interactions with its membership, it is critical that PDA measures the effectiveness of its activities and interactions for both its own purposes but also as a way of communicating the importance of its activities to FaHCSIA, its sole funder.

3.3.2 Recent performance – information flow

The NSP Funding Agreement requires that PDA facilitate the flow of information between the Government and PDA's sector by factually informing members, and the sector, about Australian Government policies, programs and services related to people with physical disability. PDA is also required to represent the views of constituents to the Government, business and community sector. PDA uses a variety of communications channels including Facebook, Twitter, their website, newsletters, an email discussion list and member surveys.

Facebook

PDA's Facebook page has 276 members. Based on KPMG's review of the PDA Facebook page, PDA uses the discussion board, wall postings and links section to communicate with the Facebook members. The following activity occurred over the past 12 to 18 months:

Discussion board

Date	Topic	Number of posts
31 August 2009	Disability parking	3
3 September 2009	Disability strategy	3
18 September 2009	Disability Insurance	6
12 December 2009	Representation of PWD in the public sector	1
1 February 2010	Book launch	1
3 November 2010	Adaptable housing design	2
28 November 2010	QLD information exchange	2
Total		18

The above postings demonstrate that the use of the discussion board is infrequent with gaps occurring between October and November 2009, in January 2010, and between February and October 2010.

Wall postings

The PDA Executive Officer made 20 of the 29 (69%) wall posts across the period 23 September 2010 to 15 February 2011. Nine or 45% of the Executive Officer's 20 posts related to the PDA AGM or board membership.

Links

Between January 2010 and January 2011, the PDA Executive Officer posted 58% of the 60 links posted on the PDA Facebook page.

The above analysis demonstrate that the Executive Officer has shared information on Facebook on at least 64 occasions across the past 12 to 18 months however, there can be gaps in discussion postings. KPMG understands that PDA's Executive Officer was absent for a proportion of 2010, however this does not suspend PDA's obligation to facilitate the flow of information between members and the community. If the gaps in the use of the Facebook site was due to the Executive Officer's absences, the sporadic use of Facebook also highlights the importance of and difficulty of succession planning and of identifying back-up resources in such a small organisation.

As noted above, it is critical to measure the quality and effectiveness of PDA's advocacy activities as well as the quantity. Repeat postings on a Facebook page are one way to identify a member's engagement with the organisation/website. Based on our analysis of the activity on PDA's Facebook page over the last 12 to 18 months, 32 separate organisations or individuals posted links or comments in response to PDA's Facebook links page (the busiest section). Of

these 29 of the organisations/individuals posted links or made comments three or fewer times. Thus, only 3 of PDA's 276 Facebook members participated on the site on a repeat basis over the past 12 to 18 months. This small number raises questions over the effectiveness of PDA's Facebook site at engaging with members.

Website

Updates to the PDA website have occurred over the past 12 to 18 months however PDA has not released any newsletters or bulletins on the website since December 2009. PDA uploaded 29 information links to the website across February 2009 to date. The rate of uploads peaked in the six months to June 2010 with 14 updates, yet declined to only 4 updates occurring across the period July to November 2010. PDA has not uploaded any news links since November 2010 and the organisation does not report or obtain statistics on the number of website visitors or information downloaded.

Email discussion list

KPMG is advised that PDA's email discussion list provide members with the opportunity to discuss physical disability advocacy matters and receive information. Based on KPMG's review, in one 24-hour period, the email discussion list circulated 13 email discussions from a variety of participants. KPMG has not reviewed the content of the discussions.

3.3.3 Recent performance – newspaper presence

Maintaining a media presence is a potential avenue to represent the views of those with a physical disability to the wider community. PDA's representation of members' issues in newspapers is poor. Based on KPMG's research of newspaper reports across Australia for the past 2 years, only three articles in three separate Australian newspapers were identified with references to PDA. These three articles quoted PDA's thoughts on illegal parking in disability spots, with each paper reporting the same quote. Thus, PDA has almost no presence in mainstream media.

Recommendation 3

Priority – Medium

To increase the focus on measuring the *effectiveness* of PDA's advocacy efforts, KPMG recommends FaHCSIA liaise with PDA to discuss amendment to the NSP funding agreement performance indicators so they measure both the *quantity* and *effectiveness* of PDA's advocacy activity. Potential indicators to measure the effectiveness of PDA's activities include:

- The number of new members gained per annum, with a specific target set for each year.
- Number of website hits (and pages visited) or new members to the Facebook page per annum.
- The number of times PDA members' views are represented in the public domain per annum (i.e. the number of media representation, conference sponsorship, presentations and attendance).

3.4 Insurance

The 2008-09 funding agreement requires that PDA must have the following insurance:

- a) *Public liability of not less than \$10m for each and every claim;*
- b) *Workers' compensation as required by law;*
- c) *Professional Indemnity for not less than \$2m per claim and in aggregate, in a year.*

The terms and conditions of FaHCSIA funding agreements were relaxed in 2009 and so the 2009 to 2011 funding agreement requires PDA to have current and 'adequate insurance appropriate to the activity funded'. Where the Department considers that particular levels of insurances are required, these requirements can be included in the schedule to the funding agreement. There are no specific requirements in PDA's 2009-2011 funding agreement.

Review of PDA's insurance documentation found that the organisation has insufficient professional liability insurance - \$1 million aggregate. PDA did not provide copies of the workers compensation insurance despite requesting this information. Our review of the public liability insurance indicates PDA's coverage is in line with the NSP funding contract requirements.

FaHCSIA has not included specific additional insurance requirements in PDA's current funding agreement indicating that the Department is satisfied with PDA's current level of professional indemnity insurance.

3.5 Use of subcontractors

PDA management staff indicate that they do not use sub-contractors to deliver core functions of the organisation. The nature of the expenses categories disclosed in the financial statements supports this assertion.

4 Corporate governance

4.1 Board membership

The current Board of PDA comprises:

- Wayne Dillon – President
- Associate Professor Fiona Kumari Campbell – Vice President
- David Gordon – Treasurer
- Peter Simpson – Board member
- Melanie Hawkes – Board member
- Dr Genee Marks – Board member
- Jill Fowler – Board member

PDA's constitution requires board representation from each state and for each board member to have a physical disability. In the past, PDA has experienced difficulty in attracting suitably qualified and participative board members, however of the current Board members 3 were elected at the most recent AGM. Currently, the Australian Capital Territory board member position is vacant.

The skills and experience of the current board members appears appropriate for an organisation of this type and size. The president has experience in human resources and workforce planning and brings an understanding of government processes and objectives having worked for the Northern Territory Government since 2004. The treasurer has experience in this role at other community organisations and is an accredited access auditor. Peter Simpson is an access auditor. Jill Fowler has extensive experience in disability advocacy. Two of the newest board members, Dr Fiona Kumari Campbell and Dr Genee Marks are both academics who teach and research in the area of disability studies. Melanie Hawkes has experience in media and public relations organisations and was on the Western Australian Ministerial Council for Disability Services for 4 years.

4.2 Board structure

Based on discussions with board members and the Executive Officer, the Board Structure (including sub-committees) has changed a number of times over the last few years. In the past, the Board operated both a Governance sub-committee and the Finance and Fiduciary sub-committee. The responsibilities of these two sub-committees were brought back under the control of the full Board during 2010 as it was determined by the Board that the issues discussed by these two sub-committees were matters that the full Board needed to be involved in.

The Board meets via teleconference once every two months and has one or two face-to-face meetings each year. There is always a face-to-face meeting at the AGM with a strategy day following.

The Executive (President, Vice-President and Treasurer) meet via teleconference in between board meetings and have regular discussions via email when decisions need to be taken quickly. For example, the Executive will discuss and approve a press release when board discussion cannot wait until the next board meeting.

Since November 2010 and the election of the current Board, working groups have been established to focus on specific disability issues. The four working groups are Housing and Accommodation, Physical Access, Research Education and Leadership, National Disability Insurance Scheme. The purpose of these working groups is to drive PDA activity in these areas by designing and monitoring workplans for each of the four key areas. Initially the working groups will be made up solely of board members, but it is intended that relevant experts will be invited to contribute to the working groups in time.

The role of PDA's Executive appears reasonable and is consistent with common practice with community organisations with volunteer boards. However, given the nature of complaints received about PDA, it would be prudent for the approvals within the organisation to be better documented. This will increase the transparency of the decision making process within the organisation. Refer below to the 'Governance policies and procedures' section for further discussion about the control environment within PDA.

4.3 Governance policies and procedures

The Governance policies and procedures of PDA have been reviewed and revised a number of times in the last 18 months. The organisation is currently considering revisions to the governance policies and procedures adopted by the Board in January 2010. A governance consultant who applied the Carver Governance Principles undertook the most recent revision.

KPMG reviewed both the current and proposed governance policies. Both policies extensively document PDA's preferred governance practices. The latest policies define two policy types:

- Board processes including a code of ethics, agenda planning, Board member induction, conflict of interests, Board performance reviews, Board Committees and working parties.
- Executive Officer Delegations including financial management, investments, fundraising, remuneration and benefits, communication and support to the Board, member privacy, and financial planning.

It is important to note that the proposed policies are largely principles based. For example, the policies state that the Executive Officer cannot 'authorise expenditure beyond the level established by the board'. However, the approval threshold is not defined by the document and KPMG did not find a Board resolution about a threshold recorded in Board meetings minutes.

KPMG acknowledges that there appears to be an informal understanding of the approvals needed within PDA and the different roles and responsibilities of the Executive Officer, President, Executive and Board. However, this understanding is not documented in the constitution or the Policies of the organisation. Consequently there is a risk that different people within PDA have different understandings of their responsibilities.

PDA has developed several policies and procedures documents in the last three years. KPMG reviewed these documents but our comments below relate to the current governance policies and procedures document only (titled *Policies document (version 1.0 January 2011)*). This document does not specify the financial delegations for the Executive Officer. For example, when the Executive Officer should seek approval for expenditure or any other activity of PDA (such as publishing press releases). While there is an informal financial delegation to the Executive Officer of \$3,000 (based on the Executive Officer's credit card limit) and a control over the *payment* of expenses, there are no defined financial controls over the commitment of expenditure and this is a significant gap in the current governance arrangements.

Recommendation 4

Priority – High

KPMG recommends that the roles and responsibilities of the Executive Office, President, Executive and Board include not just statements of principles but also specific financial delegations that state the thresholds at which approval for expenditure must be obtained.

KPMG also recommends that the roles and responsibilities also address other common decisions that the organisation must make and state who must approve the decision within the organisation (for example, who signs off on press releases or who approves the performance report sent to FaHCSIA).

In the context of the latest Governance Policies, these delegations (both financial and operational) could be made as Board resolutions.

This will improve the transparency of decision making within the organisation and ensure that the decision making process can be justified and defended to both PDA's membership and to external parties.

While the establishment of sound governance procedures is a positive development at PDA, in order for this to translate into a strong corporate governance environment, these policies and procedures need to be applied. During the engagement, KPMG noted a number of instances where the organisation's own policies were not adhered to. For example:

- The governance policies (both the January 2010 and the proposed policies) require the Board to assess the Executive Officers performance on an annual basis and for that assessment to be undertaken against the goals of the Executive Officer which should have been agreed at the start of the year. The Executive Office indicated that she has not had a performance discussion with the President or the Board since at least June 2009 and KPMG saw no evidence that performance criteria had been established at the start of a performance year.
- The governance policies (both the January 2010 and the proposed policies) require that the Board assess its own performance on an annual basis. This did not occur last year.
- The governance policies require that new Board members receive a 'resource handbook' and have a meeting with the President for a governance familiarisation. KPMG examined the induction pack and do not consider that it provides a new Board member with useful information about their roles and responsibilities or about the strategic position of PDA. For

example, the Executive Officer provides Board members with the Corporations Act but provisions of the Act will not help a director understand their role and responsibility as the act is long, complex and requires legal expertise to interpret. New Directors need to be provided with concise, relevant summaries of the information they need to know. That is, they require analysis and not simply information.

Recommendation 5

Priority – Medium

As part of the Board's assessment of itself, the organisation and its Executive Officer, KPMG recommends that PDA include an assessment of compliance with its own governance policies and procedures.

KPMG emphasis that any new requirement to ensure compliance with governance policies is commensurate with the size of the organisation. PDA has a single permanent employee and a total budget of approximately \$160,000. Consequently, a new process that unduly requires significant amounts of the Executive Officers time will diminish her ability to fulfil PDA's core objectives. Processes that may be appropriate for the size of the organisation may be annual reviews and the use of checklists or traffic light reports of key aspects of the governance policies (rather than narratives addressing every aspect of the governance policies).

It is important to note that while compliance with its own governance policies will assist PDA to establish a strong governance culture within the organisation, good corporate governance is a necessary, but not sufficient element of organisational success. That is, a poor governance environment can harm an organisation but, cannot by itself, ensure the organisation achieves its objectives. Therefore, the PDA Board must ensure that it addresses both the conformance and performance of the organisation.

This means that, in addition to ensuring the organisation has good governance, the Board must:

- Set a strategic direction for the organisation that will result in its objectives being met.
- Ensure that the chosen strategy is implemented (through appropriate levels of monitoring and questioning of management).
- Respond to changes in the environment.

Thus, while the development of the current set of governance policies is a positive step, in order for the organisation to be an effective peak body and in order for it to fulfil the requirements of the contract with FaHCSIA, most of the organisation's resources must be devoted to achieving its core objectives.

In this context, the establishment of working groups by the Board is a positive development. The aim of the working groups is to focus PDA on its role as a national peak organisation and to

involve people with relevant skills and expertise but who are outside the board and membership of PDA. This aims to be an approach that will create greater linkages between PDA and the wider disability sector while maintaining the original objective of the organisation to be a body for people with a disability. Thus, the working groups appear to be a way to better balance Board discussion between conformance and performance.

Communication with the Board

An important aspect of communication to Board members is that management provides them with analysis and knowledge rather than simply information which Board members have to summarise and interpret. This is particularly important for a volunteer board as the amount of time board members are able to contribute to the organisation will be limited.

During the engagement, we noted a number of instances where it appears that the Executive Officer provides information to the Board and not analysis. For example:

- The Director induction pack includes the Corporation's Act and the Disability Discrimination Act but no summary of the key points Board members need to know.
- The financial information provided to the Board does not provide analysis of actual performance compared to the budget or a forecast of the year-end position.
- The reports to FaHCSIA are a list of activities without analysis of the quality or effect of the activities.

Recommendation 6

Priority – Medium

The quality of communication with Board members requires improvement. To this end KPMG recommends that PDA's board papers, the induction pack and monthly financial information contain summarised analysis. For example, KPMG recommends that the monthly financial information include a summary of income and expenses, a comparison against a phased budget and a forecast of the likely year-end position.

5 Financial controls

In completing this engagement, KPMG conducted a high-level assessment of the following financial controls of PDA:

- budget preparation and monitoring
- financial reporting to the Board
- bank and payroll reconciliations
- segregation of duties in respect of payments and receipts.

5.1 Budget preparation and monitoring

PDA's Treasurer and the Executive Officer are responsible for the budget setting process. The annual budget is prepared based on their analysis of the prior year expenditure as well as PDA's forthcoming activities.

PDA's board does approve the budget however the timeliness of PDA's budget preparation and the Board's approval needs improvement. The board approved PDA's FY2011 budget on 1 July 2010 (i.e. during the budget year), and the Treasurer advised that the budget is generally prepared in the first few weeks of the budget year.

Recommendation 7

Priority - Low

KPMG recommends each year PDA set and approve their annual budget prior to the commencement of the financial year. KPMG recommends that PDA phase this budget to reflect the forecast activity and expenditure incurred in each month, as opposed to an annual budget only. This will allow the Board to assess PDA's ongoing performance against the budget on an appropriate basis.

5.2 Financial reporting to the board

The board's primary source of financial information is the Treasurer's verbal report of PDA's bank account balances and spending since the last board meeting. Although the Executive Officer provides copies of the profit and loss statement against budget, as well as the balance sheet, they do not provide the Board with any analysis of PDA's financial performance or budget variance analysis, nor is a forecast of the organisation's likely year-end position provided.

The timing and frequency of board reporting requires improvement. There is no specific timetable for the provision of the financial reports to the Board (e.g. one week prior to the meeting). Rather the Executive Officer emails copies of the profit and loss statement against budget and the balance sheet at the time of receiving the information from the book-keeper. Thus, financial information is distributed at, varying points between board meetings. This has led to confusion among Board members about the financial information they are receiving.

The board has little forward focus. The board does not discuss upcoming expenditure although in our interviews with Board members, some did state that they are aware that the AGM is a key cost for PDA. KPMG's review of board meeting minutes indicates that the Board discusses this event in the months leading up to the AGM.

Recommendation 8

Priority - High

KPMG recommends that the Executive Officer provides all board members with a financial reporting pack one week prior to the board meetings. This pack should include:

- copies of the year to date profit and loss statement against budget, as well as the balance sheet
- a year to date budget variance analysis explaining all significant variances for discussion at the board meetings
- a forecast of the likely year-end financial position, and
- A list of all transactions since the last Board meeting.

KPMG recommends that the Board discuss these reports at each meeting, with a focus on budget variances.

KPMG also recommends that the Treasurer notify the Board of any significant financial expenditure for the forthcoming quarter at each Board meeting.

5.3 Bank and payroll reconciliations

PDA's external bookkeeper completes the bank reconciliations on a monthly basis, and provides these reconciliations to the Executive Officer for review. Based on KPMG's review of a sample of reconciliations there is no evidence to demonstrate the Executive Officer's review. KPMG also note that under PDA's existing policies and procedures, the Treasurer is not required to receive and sign-off copies of the monthly bank reconciliations.

The external bookkeeper also maintains PDA's payroll processing, with pays automatically deducted from the PDA bank account. The Treasurer and Executive Officer advise that the bookkeeper does not provide PDA staff with payment slips. KPMG understands that PDA is currently recruiting for an internal bookkeeper in the hope that bringing the accounting function in-house will improve record-keeping and timeliness of reporting. Should this occur, the Board will have to ensure that the staff member responsible for the accounting function has the appropriate level of skill to operate independently and provide sufficient support to ensure financial procedures are better practice.

Recommendation 9

Priority – High

Bank reconciliations and proper payroll procedures are key internal controls in any financial management system. They help ensure that accounting records are complete and accurate.

To enhance PDA's financial management controls, KPMG recommends that:

- The Executive Officer signs-off on the monthly bank reconciliations. Should PDA bring their bookkeeping function in house, KPMG recommends the preparing officer signs off on the bank reconciliation before submitting to an independent party (such as the Executive Officer) for review.
- The Executive Officer provides the monthly bank reconciliations to the Treasurer along with supporting documents (e.g. bank statements and MYOB reconciliation report).
- The Board enforce the requirement for the bookkeeper to prepare and provide pay slips for each employee at the conclusion of each pay run.

5.4 Segregation of duties

While segregation of duties is a key aspect of an effective control environment, in a small organisation it may not always be possible to achieve appropriate segregation. This means the Board's responsibility for the effective oversight of the organisation's control environment and its financial transactions becomes more important.

Invoice payment

PDA has appropriate segregation of duties for the payment of invoices. The Executive Officer receives the invoices and identifies the appropriate account coding for the FMIS. The Executive Officer has the ability to pay the invoice, either on credit card or via Electronic Funds Transfer (EFT), however a board member's approval is required to authorise any EFT from the PDA bank account. The Executive Officer relies on the Executive Committee (the Treasurer and Board President) for EFT approval. The fact that the Executive Committee has to provide secondary authorisation of these financial payments is an appropriate control given the size of the organisation. We note that the second signatory on EFT payments has only been a requirement since October 2010.

The Executive Officer can authorise payments of invoices via credit card. PDA has not documented this policy and there appears to be some confusion around this responsibility. For example, while at the Board level there was an understanding that this approach occurs, the advised expenditure limit varied from \$3,000 to \$5,000.

The Executive Officer stated that there is an informal understanding that expenditure relating to an individual (the Executive Officer, President or Treasurer) is not approved by that individual. Rather this requires approval by one of the other executive committee members. PDA has not documented this policy.

While PDA has appropriate arrangements for the payment of expenditure, there are no financial delegations that determine who can commit PDA to expenditure (that is, to enter into a financial transaction). This means the PDA Executive Officer can commit the organisation to a transaction without prior Board approval (refer to recommendation 5 above).

5.5 Financial management

As noted earlier in this report, PDA has recently adopted the Carver governance model. In line with this PDA's financial management procedure outlines that the Executive Officer is responsible for PDA's financial management and lists a range of activities that the Executive Officer cannot perform (for example, authorise expenditure beyond the level established by the Board). The policy does not document what the Executive Officer should do. PDA would benefit from a policy that more explicitly sets out the activities that the Executive Officer should complete as part of good financial management. These activities include:

- establishing a financial budget prior to the commencement of the budget year
- reviewing monthly payment and payroll listings
- review and agree bank reconciliations
- overseeing the audit process.

While it appears that the Executive Officer completes some of these activities, clear documentation of these responsibilities will assist PDA's succession planning.

Recommendation 10

Priority – Medium

KPMG recommends that the Treasurer documents the financial management activities required to be completed by the Executive Officer and that these requirements are included in PDA's governance policies and the Executive Officers performance criteria.

5.6 China Disabled Peoples Federation grant

Discussions with the Executive Officer indicated that despite the Ausaid program requiring a significant proportion of the Executive Officer's time in 2009 and 2010, a proportion of her wages were not allocated to the Ausaid program. The effect of this would be that PDA would not have spent all of the NSP grant monies from FaHCSIA on the activities for which the Department funds them.

Recommendation 11

Priority – Medium

KPMG recommends that should PDA take on additional programs in the future, a more accurate coding of expenditure across programs is completed.

6 Financial Viability Risk

The following section discusses PDA's financial viability risk based on their audited financial results as at 30 June 2010.

In completing this assessment, KPMG has taken the information disclosed in the financial statements at face value and has not undertaken an audit of any of the amounts disclosed.

For information about how we assessed PDA's financial viability risk, refer to Appendix B of this report.

6.1 Summary of Financial Results

Physical Disability Australia Ltd	Actual
Year / period ending	Jun 2010
Period of accounts	12 months
Headline information (\$AUD)	
\$	
Profit and Loss	
Revenue	620,545
EBITDA	8,922
EBIT	4,759
NPAT	4,759
Balance Sheet	
Current assets	147,034
Total assets	151,262
Current liabilities	77,834
Total liabilities	77,834
Equity	73,428
Financial ratios	
Liquidity Risk	
Current ratio	1.89
Cash sufficiency ratio	N/A
Financing Risk	
Net debt / equity	-106.78%
EBITDA / Interest expense (times)	0.00
EBIT / Interest expense (times)	0.00
Cashflow / Interest Expense	0.00
Debt Ratio	0.51
Capitilisation Ratio	1.00
Revenue and Profit Risk	
EBITDA margin	0.00%
EBIT margin	0.00%
NPAT margin	0.00%
Return on Assets	3.15%
Return on Equity	6.48%
<i>Source: annual report FY2010</i>	

6.1.1 Audit Opinion

An unqualified audit opinion was expressed for the special purpose financial statements of Physical Disability Australia Limited for the year ended 30 June 2010.

6.1.2 Liquidity Risk

The applicant's current ratio was 1.89 as at 30 June 2010. Generally a current ratio of more than 1 indicates an organisation has sufficient current assets to meet its current obligations. We note that the applicant had no creditors as at 30 June 2010 and in addition to cash assets of \$78,409, the company has a term deposit of \$61,026.

The applicant has been assessed as having a low liquidity risk as a significant portion of the applicant's assets are cash and it has no external creditors.

6.1.3 Financing Risk

As at 30 June 2010 the value of the applicant's net assets was \$73,428. This reflects the retained earnings of the applicant.

The liabilities of the organisation principally consist of unexpended grant monies (\$30,000) and employee entitlements (\$44,720), neither of which are interest bearing.

The applicant's financing risk has been assessed as low due to its liabilities being non-interest bearing and financed with cash holdings.

6.1.4 Revenue and Profit Risk

The applicant had two principal funding sources for the year ended 30 June 2010 – FaHCSIA (\$142,721) and AusAid (\$470,000). However, we note that the AusAid funding was a one-off grant. In addition, the applicant also generated \$7,824 from interest and sundry income. Excluding the AusAid funding and directly associated expenditure, the organisation made a loss of \$70,000 for the year. Moreover, in an ordinary year, PDA is solely reliant on the FaHCSIA grant, which increases the revenue of the organisation.

The applicant's revenue and profit risk are assessed as high given its dependency on FaHCSIA funding.

6.1.5 Contingencies

No contingencies are disclosed in the financial statements which would materially affect the financial viability risk of the organisation. However, given the statements are special purpose accounts, it appears unlikely that this accounting standard has been applied by the applicant and therefore we are not able to assess the impact of any potential contingencies.



6.1.6 Financial viability risk rating

Overall, PDA's financial viability risk is medium. Despite having no creditors or interest bearing debt and cash holdings sufficient to cover its liabilities, PDA is completely reliant on its FaHCSIA grant and as a result revenue risk is high.

A Action Plan

REC NO.	RECOMMENDATION	MANAGEMENT ACTION OR STATUS	Priority	TIMEFRAME AND RESPONSIBILITY
1	The PDA Board and Executive Officer introduce adequate arrangements to monitor their progress against the strategic plan, and consequently NSP funding requirements. Such arrangements can include organising specific meetings to review the performance on a 6-monthly basis.		High	
2	<p>PDA provide all board members with a summary of the NSP funding agreement, including the key performance indicators, and reporting requirements and timeframes.</p> <p>The PDA Board and Executive Officer introduce adequate arrangements to maintain compliance with the reporting requirements of the funding agreement. Such arrangements could consist of regular monitoring of upcoming deadlines, as well as Management’s subsequent compliance, at each Board meeting. PDA can achieve this by including reporting compliance as a standing agenda item for the board meetings.</p>		High	

REC NO.	RECOMMENDATION	MANAGEMENT ACTION OR STATUS	Priority	TIMEFRAME AND RESPONSIBILITY
3	<p>FaHCSIA liaise with PDA to amend the NSP funding agreement performance indicators so they measure both the extent and effectiveness of PDA’s advocacy activity. Indicators to measure the effectiveness of PDA’s activities include:</p> <ul style="list-style-type: none"> • The number of new members gained per annum, with a specific target set for each year. • Number of website hits (and pages visited) or new members to the Facebook page per annum. • The number of times PDA members’ views are represented in the public domain per annum (i.e. the number of media representation, conference sponsorship, presentations and attendance). 		High	

REC NO.	RECOMMENDATION	MANAGEMENT ACTION OR STATUS	Priority	TIMEFRAME AND RESPONSIBILITY
4	<p>The roles and responsibilities of the Executive Office, President, Executive and Board include not just statements of principles but also specific financial delegations that state the thresholds at which approval for expenditure must be obtained.</p> <p>The roles and responsibilities also address other common decisions that the organisation must make and state who must approve the decision within the organisation (for example, who signs off on press releases or who approves the performance report sent to FaHCSIA).</p> <p>This will improve the transparency of decision making within the organisation and ensure that the decision making process can be justified and defended to both PDA’s membership and to external parties.</p>		High	

REC NO.	RECOMMENDATION	MANAGEMENT ACTION OR STATUS	Priority	TIMEFRAME AND RESPONSIBILITY
5	<p>As part of the Board’s assessment of itself and the organisation, PDA include an assessment of compliance with its own policies and procedures.</p> <p>It is important that any new requirement or process imposed to ensure compliance with its own policies is commensurate with the size of the organisation. PDA has a single permanent employee and a total budget of approximately \$160,000. The extent of their governance processes could mean that a compliance review could. Consequently, the extent of review and frequency of this review needs to ensure that the cost to comply with its own processes is not.</p>		Medium	
6	<p>The quality of communication with Board members requires improvement. Board papers, the induction pack and financial information should be better summarised and more analysis be provided.</p>		Medium	

REC NO.	RECOMMENDATION	MANAGEMENT ACTION OR STATUS	Priority	TIMEFRAME AND RESPONSIBILITY
7	<p>PDA set and approve their annual budget prior to commencement of the budget's financial year.</p> <p>PDA phase this budget to reflect the forecast expenditure incurred in each month, as opposed to an annual budget only. This will allow the Board to assess PDA's ongoing performance against the budget on an appropriate basis.</p>		High	

REC NO.	RECOMMENDATION	MANAGEMENT ACTION OR STATUS	Priority	TIMEFRAME AND RESPONSIBILITY
8	<p>The Executive Officer provide all board members with a financial reporting pack at least one week prior to the board meetings. Included in this pack are:</p> <ul style="list-style-type: none"> • copies of the year to date profit and loss statement against budget, as well as the balance sheet, and • a year to date budget variance analysis explaining all significant variances for discussion at the board meetings. <p>The Board discuss these reports at each meeting, with a focus on budget variances.</p> <p>The Treasurer notify the Board of the upcoming financial expenditure for the quarter at each Board meeting.</p>		High	

REC NO.	RECOMMENDATION	MANAGEMENT ACTION OR STATUS	Priority	TIMEFRAME AND RESPONSIBILITY
9	<p>The Executive Officer signs-off on the monthly bank reconciliations. Should PDA bring their bookkeeping function in house, KPMG recommends the preparing officer signs off on the bank reconciliation before submitting to an independent party (such as the Executive Officer) for review.</p> <p>The Executive Officer provides the monthly bank reconciliations to the Treasurer along with supporting documents (e.g. bank statements and MYOB reconciliation report).</p> <p>The Board enforce the requirement for the bookkeeper prepare and provide pay slips for each employee at the conclusion of each pay run.</p>		Medium	
10	The Treasurer documents the financial management activities required to be completed by the Executive Officer.		Medium	
11	Should PDA take on additional programs in the future, an accurate coding of expenditure across programs should be undertaken.		High	

Appendix B – Approach to Financial Viability Risk Assessments

A.1 Scope of Assessments

The financial viability risk assessment of PDA is based on ratio analysis utilising information provided by the organisation. Financial viability risk is defined as the risk an organisation may be unable to pay its debts as and when they fall due. Our assessment does not provide assurance over the organisation, nor does it constitute an audit or assessment of the business as a going concern.

A.2 Our Approach

Our financial viability risk assessment considered elements that may either increase or decrease financial viability risk of the entity. These indicators include trend analysis (where sufficient information has been provided) in key financial indicators and ratios associated with liquidity, financing, and profitability risk. We assess the practical, business implications of this information, which assists us to assess the financial viability risk of an applicant *at a point in time* (that is at its last balance date).

We have provided a financial viability risk rating and stated in this report why, on balance, the rating has been given. The rating is not a mechanical or mathematical rating and is based on our professional judgement. The analysis provided states the weighting and significance of each indicator of financial viability risk identified.

PDA’s risk rating was judged against the following rating scale.

Final Risk Rating Scale	
Low	The applicant’s financial results do not indicate any areas of significant financial risk when assessed against common indicators of financial performance and position.
Medium	The applicant’s financial results indicate one or two areas of significant financial risk when assessed against common indicators of financial performance and position. For example, the applicant has a deteriorating liquidity position, a small margin for safety in the servicing of its interest bearing debt or poor or, deteriorating profitability.
High	The applicant’s financial results indicate a combination of significant financial risk factors when assessed against common indicators of financial performance and position. For example, the applicant has a combination of significant and immediate liquidity issues, very small or negative net asset position, is unable to service its interest bearing debt from current year profits, and has consistent poor profitability