



# **SUMMARY REPORT**

## **AUDIT COMMITTEE**

**MEETING HELD ON**

**24 MAY 2010**

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**AUDIT COMMITTEE MEETING  
OF THE DAREBIN CITY COUNCIL HELD AT  
THE DAREBIN CIVIC CENTRE,  
350 HIGH ST, PRESTON, ON MONDAY, 24 MAY 2010**

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THE MEETING OPENED AT 3.35PM

## 1. PRESENT

### Members:

Ms Merran Kelsall – Chairperson  
Cr Diana Asmar – Committee Member  
Mr Albert Zago – Independent External Member  
Mr David Ashmore – Independent External Member

### External Auditors:

Mr Robert Wernli – DFK Collins

### Internal Auditors:

Mr Jason Agnoletto – PricewaterhouseCoopers  
Mr Mark Trajcevski – PricewaterhouseCoopers  
Ms Jane Lim – PricewaterhouseCoopers

### Officers:

Mr Rasiah Dev – Chief Executive Officer  
Mr Bruce Dobson – Director Corporate Services  
Ms Kerrie Jordan – Chief Financial Officer  
Mr Michael O’Riordan – Financial Accountant  
Ms Sharon Hutchinson – Manager Organisation Development & Risk Services A/Manager  
Mr Nick Mazzarella – Manager Major Projects and Transport

### Minutes:

Ms Marisa Schiavello

### 1.1 WELCOME

Ms Kelsall welcomed all members to the meeting in particular Cr Asmar who was attending her first Audit Committee meeting.

## 2. APOLOGIES

Cr Gaetano Greco – Committee Member (On leave)  
Mr Mark Warren, DFK Collins

## 3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

<b>COMMITTEE DECISION</b>
---------------------------

**MOVED:** Mr David Ashmore  
**SECONDED:** Mr Albert Zago

**THAT** the minutes of the Audit Committee Meeting held on Wednesday, 3 March 2010 be confirmed.

**CARRIED**

#### **4. MATTERS ARISING FROM PREVIOUS MEETING/S**

##### **Verbal Reports**

- Materiality Level
- Shell Financial Statements
- Copy of Sign Off form used by Budget Managers to sign off budget results
- Standard Statement Disclosure – revaluation of infrastructure and the change in the Income Statement
- EFT Controls to be included in the scoping of Corporate Compliance Review
- Internal Audit Follow up Review - Monitoring and audit logging of user activity
- Service Level Agreement (SLA) with the former Preston Cemetery Trust

[Mr Dev entered the meeting at 4.37pm and was introduced to the Committee by Mr Dobson]

##### **Reports**

- Strategic Internal Audit Plan 2009-2011 – Refer Item 9
- Annual Self Assessment Implementation Plan – Refer Item 13
- Risk Management Framework – Refer Item 14
- Capital Works Program Performance Report – Refer Item 16
- Audit Committee Draft Good Practice Guide Submission – Refer Item 19

##### **Next Meeting**

- Update of Conflicts of Interest Review by LGV
- Framework and approval process of Council Policies and Procedures
- Darebin Councillor Support and Expenses Policy Quarterly Report
- Gift Policy Register
- Investment Performance – 6-Monthly Update

#### **5. DISCLOSURES OF CONFLICT OF INTEREST**

Audit Committee members were asked to disclose any conflicts of interest on any matters listed on the Agenda. No disclosures were made.

#### **6. REGISTER OF INTERESTS**

The Chairperson invited members to declare any changes to their record of members' pecuniary interests. Ms Kelsall announced that she was a Trustee of the National Gallery of Victoria.

The following are a permanent record of members' disclosures and will remain until retracted by the member concerned.

**Ms Merran Kelsall**

- Melbourne Water
- RACV
- Department of Innovation, Industry and Regional Development
- National Gallery of Victoria

**Mr Albert Zago**

- Nil

**Mr David Ashmore**

- Grant Thornton Australia Limited
- Regional Kitchen Pty Ltd
- Moonee Valley City Council
- Boroondara City Council

**Cr Gaetano Greco**

- Preston Public Cemetery Trust
- Darebin Business Centre Ltd
- Inner Northern Group Training Ltd

**Cr Diana Asmar**

- Nil

## 7. INTERNAL AUDIT REPORT – CONTRACT MANAGEMENT REVIEW

**AUTHOR:** Director Corporate Services – Bruce Dobson

**DIRECTOR:** Director Corporate Services – Bruce Dobson

### SUMMARY:

In accordance with 2010 Internal Audit Plan, PricewaterhouseCoopers (PwC) undertook a review of Council's key controls surrounding contract management processes.

The objective of the assignment was to review and assess Council's contract management processes and the control environment in which they operate.

The review focussed on:

- Contract Management Framework – reviewing Council's adherence to relevant policies and procedures surrounding tendering monitoring and contract management processes;
- Contracts 5 System – controls around the administration of contracts using the Contracts 5 System; and
- Project management of contracts – controls over project management of contracts (for both service and capital work contracts).

The review was undertaken by examining relevant documentation, meeting with key personnel and sample testing of services and capital work contracts.

PwC report that the review identified five issues for which action plans and timeframes have been agreed with management.

### CONSULTATION:

Director Infrastructure  
Chief Financial Officer  
Manager Asset Strategy

### COMMITTEE RECOMMENDATION

**MOVED:** Mr Albert Zago  
**SECONDED:** Mr David Ashmore

**THAT** the attached report titled "*Contract Management Review*" prepared by the Internal Auditors be received and noted.

**CARRIED**

## 8. INTERNAL AUDIT REPORT – CAPITAL WORKS REVIEW

**AUTHOR:** Director Corporate Services – Bruce Dobson

**DIRECTOR:** Director Corporate Services – Bruce Dobson

### SUMMARY:

In accordance with the 2010 Internal Audit Plan, PricewaterhouseCoopers (PwC) undertook a review of Council's key controls around the planning and reporting of Capital Works projects.

The objective of the assignment was to review and consider processes and controls over planning and reporting of capital works projects.

The review focussed on:

- Planning process for capital works projects – understanding and evaluating the adequacy of the planning and reporting processes to capital works projects; and
- Reporting of capital works projects – reviewing the processes for reporting capital works projects in relation to project progress, issues and contract variations.

The review was undertaken by examining relevant documentation, meeting with key personnel and sample testing of capital work contracts.

The review identified three issues for which action plans and timeframes have been agreed with management.

### CONSULTATION:

Director Infrastructure  
Chief Financial Officer  
Manager Asset Strategy

## COMMITTEE RECOMMENDATION

**MOVED:** Mr David Ashmore  
**SECONDED:** Mr Albert Zago

**THAT** the attached report titled "*Capital Works Review*" prepared by the Internal Auditors be received and noted.

**CARRIED**

[Cr Asmar left the meeting during discussion of this item at 4.07pm]

**9. INTERNAL AUDIT REPORT – STRATEGIC INTERNAL AUDIT  
PLAN 2009-2011****AUTHOR:** Director Corporate Services – Bruce Dobson**DIRECTOR:** Director Corporate Services – Bruce Dobson**SUMMARY:**

At its meeting on 3 March 2010, the Audit Committee provided comments on the draft Strategic Internal Audit Plan for the City of Darebin. The Strategic Plan, which focuses on potential key risk areas to Council, has now been updated with the Committee's views and is presented for the Committee's consideration and endorsement.

**CONSULTATION:**

Executive Management Team  
Senior Council Officers

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr David Ashmore  
**SECONDED:** Mr Albert Zago

**THAT** the Strategic Internal Audit Plan 2009-2011 prepared by the Internal Auditors for the City of Darebin be endorsed.

**CARRIED**

[Cr Asmar re-entered the meeting at 4.15pm]



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**10. INTERNAL AUDIT REPORT – INTERNAL AUDIT ACTIVITY****AUTHOR:** Director Corporate Services – Bruce Dobson**DIRECTOR:** Director Corporate Services – Bruce Dobson**SUMMARY:**

The Internal Auditors, PricewaterhouseCoopers (PwC), have prepared a report to update the Audit Committee on the status of Council's Internal Audit Activity since the last meeting on 3 March 2010. The report also includes a section titled Internal Audit Topics featuring an article on "*combating the risky business of fraud*".

**CONSULTATION:**

Director Corporate Services  
Senior Council Officers

<b>COMMITTEE RECOMMENDATION</b>
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**MOVED:** Mr Albert Zago  
**SECONDED:** Mr David Ashmore

**THAT** the attached report titled "*Internal Audit Activity*" prepared by the Internal Auditors be received and noted.

**CARRIED**

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## 11. FOLLOW UP ON OUTSTANDING AUDIT ACTIONS

**AUTHOR:** Director Corporate Services – Bruce Dobson

**DIRECTOR:** Director Corporate Services – Bruce Dobson

**SUMMARY:**

Management has prepared a report to update the Committee on progress made to date by Council Officers on the implementation of recommendations made in previous internal and external audit reports since the last Committee meeting on 3 March 2010.

**CONSULTATION:**

Senior Council Officers

<b>COMMITTEE RECOMMENDATION</b>
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**MOVED:** Mr Albert Zago  
**SECONDED:** Mr David Ashmore

**THAT** the attached report titled *“Follow up on Outstanding Audit Actions”* be received and noted.

**CARRIED**

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## 12. FINANCIAL REPORT – 10 MONTHS ENDED 30 APRIL 2010

**AUTHOR:** Financial Accountant – Michael O’Riordan

**DIRECTOR:** Director Corporate Services – Bruce Dobson

**SUMMARY:**

A comprehensive financial review has been undertaken for the ten months ended 30 April 2010 to assess the financial performance of Council year-to-date. The outcome of the review indicates that Council has achieved a YTD operating surplus of \$17.8 million and capital works expenditure of \$13.2 million.

A comprehensive budget review has been completed to determine the full-year forecasts presented in this report. The forecast actual results for the year ending 30 June 2010 are an operating surplus of \$6.3 million and capital works expenditure of \$26.0 million. All material variations have been explained in the report

**CONSULTATION:**

Managers and Coordinators.

<b>COMMITTEE RECOMMENDATION</b>
---------------------------------

**MOVED:** Mr David Ashmore  
**SECONDED:** Mr Albert Zago

**THAT** the contents of the “*Financial Report for the ten months ended 30 April 2010*” included as **Appendix A** to this report be received and the year-to-date and full-year forecast actual and budget operating and capital results be noted.

**CARRIED**

[Messrs Agnoletto and Trajcevski left the meeting at 4.25pm]

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### 13. ANNUAL SELF ASSESSMENT IMPLEMENTATION PLAN

**AUTHOR:** Director Corporate Services – Bruce Dobson

**DIRECTOR:** Director Corporate Services – Bruce Dobson

**SUMMARY:**

At its meeting on 1 December 2009 the Audit Committee made a number of recommendations on improving its performance. An implementation plan was prepared for the Committee's meeting on 3 March 2010 where the Committee resolved that the implementation plan should become a standing report.

**CONSULTATION:**

Audit Committee  
Senior Council Officers

<b>COMMITTEE RECOMMENDATION</b>
---------------------------------

**MOVED:** Mr Albert Zago  
**SECONDED:** Mr David Ashmore

**THAT** this report on the status of recommended actions resulting from the Annual Self Assessment be received and noted.

**CARRIED**

[Ms Hutchinson entered the meeting at 4.30pm]

## 14. RISK MANAGEMENT FRAMEWORK

**AUTHOR:** Risk Services A/Manager – Sharon Hutchinson

**DIRECTOR:** Director Corporate Services – Bruce Dobson

**SUMMARY:**

Following the implementation of the Risk Management Framework across Council, risks have been identified and prioritised, actions have been assigned to relevant officers and a reporting framework has been established to monitor risks.

The March quarter review of High rated risks has been completed and progress comments are included in this report. Work on identifying and documenting strategic risks has continued with the outcomes of the initial workshop being reviewed by the Executive Management Team.

A new Risk Services Leader has now been appointed and will commence with Darebin on 28 June 2010.

This report also includes an update on Darebin's insurance audit results and ranking compared to other Victorian Councils.

**CONSULTATION:**

Executive Management Team  
Council Officers

<b>COMMITTEE RECOMMENDATION</b>
---------------------------------

**MOVED:** Mr David Ashmore  
**SECONDED:** Mr Albert Zago

**THAT** this report regarding the Risk Management Framework be received and noted.

**CARRIED**

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## 15. FRAUD PREVENTION AND CONTROL STRATEGY

**AUTHOR:** Risk Services A/Manager – Sharon Hutchinson

**DIRECTOR:** Director Corporate Services – Bruce Dobson

**SUMMARY:**

A Fraud Prevention and Control Strategy (“the Strategy”) was developed and endorsed by Council’s Audit Committee in 2007. As part of the Risk Management Framework the Strategy has now been reviewed and updated.

The Strategy was recently endorsed by the Executive Management Team and training has been implemented throughout the organisation through e-learning.

**CONSULTATION:**

Executive Management Team  
Council Officers

<b>COMMITTEE RECOMMENDATION</b>
---------------------------------

**MOVED:** Cr Diana Asmar  
**SECONDED:** Mr Albert Zago

**THAT** the updated Fraud Prevention and Control Strategy be endorsed by the Audit Committee subject to minor changes and be presented to a future Council Meeting for endorsement.

**CARRIED**

[Mr Mazzarella entered the meeting during discussion of this item at 4.40pm]

[Ms Hutchinson left the meeting at 4.48pm]

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**16. CAPITAL WORKS PROGRAM - MARCH 2010 PERFORMANCE REPORT**

**AUTHOR:** Financial Accountant - Michael O'Riordan

**DIRECTOR:** Director Corporate Services – Bruce Dobson

**SUMMARY:**

This report has been prepared to provide the Audit Committee with the information Council receives on the achievement of the capital works program to date and the full year forecast for the year ending 30 June 2010.

**CONSULTATION:**

Capital Coordination Group  
Managers and Coordinators

<b>COMMITTEE RECOMMENDATION</b>
---------------------------------

**MOVED:** Mr Albert Zago  
**SECONDED:** Mr David Ashmore

**THAT** this report on the performance of the Capital Works Program as at 31 March 2010 be received and noted.

**CARRIED**

## 17. OVERVIEW OF PROPOSED BUDGET

**AUTHOR:** Chief Financial Officer – Kerrie Jordan

**DIRECTOR:** Director Corporate Services – Bruce Dobson

**SUMMARY:**

This report presents an overview of Council's proposed Budget for the 2010/11 year, for the information of the Audit Committee.

**CONSULTATION:**

Executive Management Team  
Councillors

<b>COMMITTEE RECOMMENDATION</b>
---------------------------------

**MOVED:** Cr Diana Asmar  
**SECONDED:** Mr Albert Zago

**THAT** the Committee note the overview of Council's proposed Budget for the 2010/11 year set out in this report.

**CARRIED**



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**18. PRESTON CIVIC PRECINCT DEVELOPMENT PROJECT****AUTHOR:** Manager Major Projects and Transport – Nick Mazzarella**DIRECTOR:** Director Infrastructure – Geoff Glynn**SUMMARY:**

This report provides an update of the Preston Civic Precinct development project.

There were no funds allocated for the Preston Civic Precinct development in the State Government Budget in 2009 and as a consequence the procurement process for a developer was terminated.

The project is now being reviewed to identify alternative possibilities for delivery of key elements and funding opportunities.

**CONSULTATION:**

Internal Council officers

<b>COMMITTEE RECOMMENDATION</b>
---------------------------------

**MOVED:** Cr Diana Asmar  
**SECONDED:** Mr David Ashmore

**THAT** the Audit Committee receive and note this report on the Preston Civic Precinct Development Project.

**CARRIED**

[Mr Mazzarella left the meeting at 5pm]

**19. AUDIT COMMITTEES DRAFT GOOD PRACTICE GUIDE  
SUBMISSION****AUTHOR:** Director Corporate Services – Bruce Dobson**DIRECTOR:** Director Corporate Services – Bruce Dobson**SUMMARY:**

Earlier this year Local Government Victoria issued a draft publication titled 'Audit Committees – A Guide to Good Practice for Local Government' and sought comments from Councils and key stakeholders in relation to the Guide. Following input from Audit Committee members, comments from Darebin were submitted to Local Government Victoria on 25 March 2010. A copy of the Darebin submission is attached to this report.

**CONSULTATION:**

Audit Committee members

**COMMITTEE RECOMMENDATION****MOVED:** Mr David Ashmore**SECONDED:** Mr Albert Zago

**THAT** the Committee note the Darebin submission on the draft publication titled 'Audit Committees – A Guide to Good Practice for Local Government', as attached to this report.

**CARRIED**

**20. CALENDAR OF EVENTS****AUTHOR:** Director Corporate Services – Bruce Dobson**DIRECTOR:** Director Corporate Services – Bruce Dobson**SUMMARY:**

The Audit Committee has requested an update on the high level reports expected to be tabled at future meetings. A table has been prepared which shows the reports to be tabled for the following four meetings to be held in August and November 2010 and February and May 2011. At its meeting on 3 March 2010, the Committee requested that changes to the calendar be highlighted in bold lettering.

**CONSULTATION:**

PricewaterhouseCoopers (PwC)

<b>COMMITTEE RECOMMENDATION</b>
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**MOVED:** Mr David Ashmore  
**SECONDED:** Mr Albert Zago

**THAT** this report outlining the Calendar of Events for the next four meetings in August and November 2010 and February and May 2011 be received and noted.

**CARRIED**

## 21. OTHER BUSINESS

Nil.

## 22. NEXT MEETING/S

- August meeting – A meeting will be organised for the Audit Committee to meet during the week beginning 23 August 2010. This will be determined offline.
- Monday, 22 November 2010 at 3.30pm in the Conference Room

[Messrs Dev, Dobson and O’Riordan and Ms Jordan and Schiavello left the meeting at 5.05pm.]

## 23. IN CAMERA DISCUSSION

The meeting continued with Ms Kelsall, Cr Asmar, Ms Lim and Messrs Zago, Ashmore and Wernli in attendance.

**THE MEETING CLOSED AT 5.05PM**