



# **SUMMARY REPORT**

## **AUDIT COMMITTEE**

**MEETING HELD ON**

**30 MAY 2011**

---

---

# Table of Contents

---

<b>Item Number</b>		<b>Page Number</b>
1.	PRESENT .....	1
2.	APOLOGIES .....	1
3.	CONFIRMATION OF MINUTES OF PREVIOUS MEETING .....	2
4.	MATTERS ARISING FROM PREVIOUS MEETING .....	2
5.	DISCLOSURES OF CONFLICT OF INTEREST .....	2
6.	REGISTER OF INTERESTS.....	2
7.	RISK MANAGEMENT FRAMEWORK AND BUSINESS CONTINUITY PLANNING ..	4
8.	INTERNAL AUDIT REPORT – CASH HANDLING REVIEW.....	6
9.	INTERNAL AUDIT REPORT – INTERNAL AUDIT ACTIVITY.....	7
10.	COUNCILLOR SUPPORT AND EXPENSES – QUARTERLY REPORT.....	8
11.	DRAFT AUDIT COMMITTEE CHARTER .....	9
12.	AUDIT COMMITTEE SELF ASSESSMENT .....	10
13.	FOLLOW UP ON OUTSTANDING AUDIT ACTIONS.....	11
14.	FINANCIAL REPORT – 10 MONTHS ENDED 30 APRIL 2011 .....	12
15.	CAPITAL WORKS PROGRAM - APRIL 2011 PERFORMANCE REPORT .....	13
16.	OVERVIEW OF PROPOSED 2012 BUDGET.....	14
17.	DIRECTORS/GENERAL MANAGERS REPRESENTATION LETTER.....	15
18.	PROCUREMENT PROCESS CHANGES.....	16
19.	RECOVERY OF INFRINGEMENT DEBT .....	17
20.	CALENDAR OF EVENTS.....	19
21.	OTHER BUSINESS .....	19
22.	NEXT MEETING/S.....	19
23.	IN CAMERA DISCUSSION.....	19

---

**AUDIT COMMITTEE MEETING OF THE  
DAREBIN CITY COUNCIL HELD AT DAREBIN CIVIC CENTRE,  
350 HIGH ST, PRESTON ON MONDAY, 30 MAY 2011**

---

**THE MEETING OPENED AT 3.35PM**

## **1. PRESENT**

**Members:**

Mr David Ashmore – Chairperson  
Mr Albert Zago – Independent External Member  
Cr Gaetano Greco – Committee Member

**Internal Auditors:**

Mr Jason Agnoletto – PricewaterhouseCoopers  
Ms Wing Wong - PricewaterhouseCoopers

**Officers:**

Ms Vijaya Vaidyanath – Director Corporate and Business Services  
Mr Daniel Freer – Director City Design & Environment  
Mr Fred Warner – Group Manager People and Performance  
Ms Kerrie Jordan – Chief Financial Officer  
Mr Michael O’Riordan – Financial Accountant  
Ms Gracie Valenti – Senior Coordinator Corporate Risk Management  
Mr Rhys Thomas– Governance and Corporate Planning Manager

**Minutes:**

Ms Marisa Schiavello

**Observer:**

Cr Tim Laurence – City of Darebin

**Welcome:**

Mr Ashmore opened the meeting and welcomed all participants. Of special note was the attendance of Cr Laurence and, for the record, it was noted that Cr Laurence was an observer and was unable to vote on matters considered at the meeting.

## **2. APOLOGIES**

Cr Diana Asmar – Committee Member (on leave of absence)  
Mr Rasiah Dev – Chief Executive  
Mr Mark Trajcevski – PricewaterhouseCoopers  
Mr Robert Wernli - DFK Collins  
Mr Mark Warren - DFK Collins

### 3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

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

**MOVED:** Mr Albert Zago  
**SECONDED:** Cr Gaetano Greco

**THAT** the Minutes of the Audit Committee Meeting held on Tuesday, 1 March 2011 be confirmed.

**CARRIED**

### 4. MATTERS ARISING FROM PREVIOUS MEETING

- Risk Management Framework and Business Continuity Planning (Gracie Valenti)
- Directors/General Managers Representation Letter (Kerrie Jordan)
- Capital Works – April 2011 Performance Report (Michael O’Riordan)
- Recovery of Infringement Debt (Marnie Benney)
- Audit Committee Charter and Membership (Rhys Thomas)
- Audit Committee Self Assessment (Vijaya Vaidyanath)

### 5. DISCLOSURES OF CONFLICT OF INTEREST

Audit Committee members were asked to disclose any conflicts of interest on any matters listed on the Agenda.

**Item 10: Councillor Support and Expenses – Quarterly Report**

Cr Greco disclosed a conflict of interest on this item describing the type of interest as a direct interest and the nature of the interest being that the report related to expenditure incurred by him. Cr Greco left the meeting prior to discussion of that item.

Cr Laurence disclosed a conflict of interest on this item describing the type of interest as a direct interest and the nature of the interest being that the report related to expenditure incurred by him. Cr Laurence left the meeting prior to discussion of that item.

### 6. REGISTER OF INTERESTS

The Chairperson invited members to declare any changes to their record of members’ pecuniary interests. No further declarations were made.

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

**Mr David Ashmore**

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

**Mr Albert Zago**

- Nil

**Cr Diana Asmar**

- Nil

**Cr Gaetano Greco**

- Darebin Enterprise Centre Ltd
- Inner Northern Group Training Ltd
- Apprenticeships Plus
- Bundoora Homestead Board of Management
- Municipal Association of Victoria (MAV)
- Spectrum Migrant Resource Centre

**CHANGE TO PROCEEDINGS**

The Chairperson advised that there had been a change to the order of the reports. The amended 'Table of Contents' was distributed. The Minutes of the Audit Committee meeting reflects the new format.

## 7. RISK MANAGEMENT FRAMEWORK AND BUSINESS CONTINUITY PLANNING

**AUTHOR:** Senior Co-ordinator Corporate Risk Management – Gracie Valenti

**REVIEWED BY:** Group Manager People and Performance – Fred Warner

### SUMMARY:

Since the establishment of the Corporate Risk Management Department in September 2010, a review of Council's existing risk management systems has been undertaken with a strategic plan developed for 2011 – 2012 financial year to implement further improvements.

The current priorities and key projects that will lead into the next financial year include:

- Implementing Council's Strategic Risks
- Reviewing and identifying new Operational Risks
- Implementing Council's revised Risk Management Policy and Framework
- Developing and implementing Council's Business Continuity Program.

In preparation of implementing Council's revised Risk Management Policy and Framework, Managers will be attending a workshop in June to obtain an understanding of Council's:

- strategic risks and the identification of existing control measures and required treatments;
- risk matrix and its defined likelihood and consequence ratings; and
- application to new and existing operational risks.

In May 2011, the Governance, Systems and Corporate Performance Committee approved the revised Risk Management Policy. The Policy is scheduled for presentation and endorsement at the Executive Management Team in June and if required, adoption by Council in July.

Global Risk Management, a risk consulting company, has successfully been appointed to develop Council's Business Continuity Policy, Framework and Plan. A presentation is scheduled for the next Manager's forum in June to outline key responsibilities and expectations to ensure the November 2011 timeline is achieved. Further training for key stakeholders across the organisation, as identified to form part of the BCP committee, is confirmed for 18 July 2011.

### CONSULTATION:

Executive Management Team  
Council Officers  
External stakeholders

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Albert Zago  
**SECONDED:** Cr Gaetano Greco

**THAT**

- (1) This report regarding the Risk Management Framework and Business Continuity Planning be received and noted.
- (2) Social Inclusion and Diversity Management be incorporated as an additional strategic risk area.

**CARRIED**

[Ms Vaidyanath entered the meeting during discussion of this item at 3.45pm  
Ms Valenti left the meeting at 4.15pm  
Mr Warner left the meeting at 4.15pm]

## 8. INTERNAL AUDIT REPORT – CASH HANDLING REVIEW

**AUTHOR:** Director Corporate and Business Services – Vijaya Vaidyanath

**REVIEWED BY:** Chief Executive – Rasiah Dev

### SUMMARY:

In accordance with Darebin City Council's 2011 Internal Audit Plan, PricewaterhouseCoopers (PwC) undertook a review of Council's key controls surrounding cash collection and handling at a selection of cash collection sites.

The objective of the assignment was to review and consider Council's cash handling procedures at a selection of cash collection sites to identify any areas of non-compliance with formal Council policy and identify areas for improvement. The cash collection sites include:

- Darebin Arts and Entertainment Centre (DAEC)
- Northland Customer Service Centre
- Preston Library
- Reservoir Leisure Centre (RLC).

The assignment was completed by reviewing available documentation, interviews and discussion with relevant staff at each site and sample testing to confirm the operation of identified controls.

PwC report that the review identified two 'A' rated findings and four 'B' rated findings for which action plans and timeframes have been agreed with management.

### CONSULTATION:

Chief Financial Officer  
Audit Committee

### COMMITTEE RECOMMENDATION

**MOVED:** Cr Gaetano Greco  
**SECONDED:** Mr Albert Zago

**THAT** the attached report titled '*Cash Handling Review*' prepared by the Internal Auditors be received and noted.

**CARRIED**

[Mr Freer left the meeting at 4.35pm]



## 9. INTERNAL AUDIT REPORT – INTERNAL AUDIT ACTIVITY

**AUTHOR:** Director Corporate and Business Services – Vijaya Vaidyanath

**REVIEWED BY:** Chief Executive – Rasiah Dev

### 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 1 March 2011.

PwC advise that they will bring to the May 2011 meeting a recent publication titled 'Cities and Opportunity'; a publication which compares and analyses the performance of 26 cities and examines the success of each city.

### CONSULTATION:

Senior Council Officers

### COMMITTEE RECOMMENDATION

**MOVED:** Mr Albert Zago  
**SECONDED:** Cr Gaetano Greco

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

**CARRIED**

[Mr O'Riordan left the meeting during discussion of this item at 4.53pm  
Mr O'Riordan returned to the meeting during discussion of this item at 4.55pm]

*Cr Greco disclosed a conflict of interest on this item classifying the type of interest as a direct interest and the nature of the interest being that the report relates to expenditure incurred by him.*

*Cr Laurence disclosed a conflict of interest on this item classifying the type of interest as a direct interest and the nature of the interest being that the report relates to expenditure incurred by him.*

*Cr Greco and Cr Laurence left the meeting at 5.00pm prior to consideration of this item.*

In the absence of Cr Greco, the meeting became inquorate. An informal discussion was held with the remaining members.

## **10. COUNCILLOR SUPPORT AND EXPENSES – QUARTERLY REPORT**

**AUTHOR:** Governance and Corporate Planning Manager – Rhys Thomas

**DIRECTOR:** Director Corporate and Business Services – Vijaya Vaidyanath

### **SUMMARY:**

The *Councillor Support and Expenses Policy 2009* provides that a quarterly report on Councillor expenses and reimbursements be submitted to each meeting of Council's Audit Committee.

This report provides the summary of expenses for the quarter 1 January 2011 to 31 March 2011.

[Cr Greco re-entered the meeting at 5.05pm  
Cr Laurence re-entered the meeting at 5.05pm]

## 11. DRAFT AUDIT COMMITTEE CHARTER

**AUTHOR:** Governance and Corporate Planning Manager – Rhys Thomas

**DIRECTOR:** Director Corporate and Business Services – Vijaya Vaidyanath

### SUMMARY:

On 8 February 2011, a document titled “*Audit Committees – A Guide To Good Practice For Local Government*” was published by the Minister for Local Government in the Victorian Government Gazette. The document included a ‘Recommended Audit Committee Charter’.

At the Committee’s request, Council officers have reviewed both the Recommended Charter and the existing Committee Charter and developed a draft Charter that responds to the best practice model suggested, while retaining the focus of the existing committee.

This report provides a draft Audit Committee Charter for the Committee’s information.

### COMMITTEE RECOMMENDATION

**MOVED:** Mr Albert Zago  
**SECONDED:** Mr Gaetano Greco

#### THAT

- (1) The Audit Committee note the draft Darebin City Council Audit Committee Charter ; and
- (2) The matter be referred to management for further consideration.

**CARRIED**

[Mr Thomas left the meeting at 5.35pm]

## 12. AUDIT COMMITTEE SELF ASSESSMENT

**AUTHOR:** Director Corporate and Business Services – Vijaya Vaidyanath

**REVIEWED BY:** Chief Executive – Rasiah Dev

### SUMMARY:

The Audit Committee is required under its Charter to undertake an annual self-assessment of its performance and make recommendations for improvement. This report presents an overview of the proposed self assessment process which is scheduled for July 2011. The results of the self assessment will be presented to the August 2011 Audit Committee meeting.

### CONSULTATION:

PricewaterhouseCoopers

### COMMITTEE RECOMMENDATION

**MOVED:** Mr Albert Zago  
**SECONDED:** Cr Gaetano Greco

**THAT** the proposed process for undertaking the Audit Committee annual self assessment of performance be noted and endorsed.

**CARRIED**

---

**13. FOLLOW UP ON OUTSTANDING AUDIT ACTIONS**

**AUTHOR:** Director Corporate and Business Services – Vijaya Vaidyanath

**REVIEWED BY:** Chief Executive – Rasiah Dev

**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 reports since the last Committee meeting on 1 March 2010

**CONSULTATION:**

Senior Council Officers

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

**MOVED:** Cr Gaetano Greco

**SECONDED:** Mr Albert Zago

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

**CARRIED**

---

**14. FINANCIAL REPORT – 10 MONTHS ENDED 30 APRIL 2011****AUTHOR:** Financial Accountant- Michael O’Riordan**REVIEWED BY:** Chief Financial Officer – Kerrie Jordan**BUDGET****IMPLICATIONS:** Year to date operating surplus of \$20.0 million and capital works expenditure of \$17.7 million. Forecast full year operating surplus of \$4.0 million and capital works expenditure of \$34.0 million.**SUMMARY:**

A comprehensive third quarter financial review has been undertaken for the ten months ended 30 April 2011 to assess the financial performance of Council year-to-date and the forecast financial position as at 30 June 2011. The outcome of the review indicates that Council has achieved a year-to-date operating surplus of \$20.0 million, which is \$5.6 million ahead of budget and capital works expenditure of \$17.7 million, which is \$11.2 million behind the budget. The forecast actual results for the year ending 30 June 2011 are an operating surplus of \$4.0 million and capital works expenditure of \$34.0 million. All material variations have been explained in the report.

**CONSULTATION:**

Managers and Coordinators.

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

**MOVED:** Mr Albert Zago  
**SECONDED:** Cr Gaetano Greco

**THAT** the contents of the “Financial Report for the ten months ended 30 April 2011” 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**

**15. CAPITAL WORKS PROGRAM - APRIL 2011 PERFORMANCE REPORT****AUTHOR:** Financial Accountant - Michael O'Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**BUDGET  
IMPLICATIONS:** Nil**SUMMARY:**

This report has been prepared to provide the Audit Committee with details regarding the achievement of the capital works program to date and the full year forecast for the year ending 30 June 2011. This report will be presented to council as a briefing paper in March.

Measures have been taken to increase the completion rate of this year's capital program. Barring the list of items that have external influences, the capital program will be delivered in excess of 90% of budget this year.

**CONSULTATION:**

Capital Co-ordination Group  
Managers and Coordinators

**COMMITTEE RECOMMENDATION****MOVED:** Mr Albert Zago  
**SECONDED:** Cr Gaetano Greco

**THAT** this report on the performance Capital Works Program as at 30 April 2010 be received and noted.

**CARRIED**

---

**16. OVERVIEW OF PROPOSED 2012 BUDGET**

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

**REVIEWED BY:** Director Corporate & Business Services – Vijaya Vaidyanath

**SUMMARY:**

This report presents an overview of the Council's proposed Budget for 2011/2012 year, for the information of the Audit Committee.

**CONSULTATION:**

Executive Management Team  
Councillors

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

**MOVED:** Mr Albert Zago  
**SECONDED:** Cr Gaetano Greco

**THAT** the Committee note the overview of the Council's proposed budget for the 2011/2012 year set out in this report

**CARRIED**



**17. DIRECTORS/GENERAL MANAGERS REPRESENTATION  
LETTER****AUTHOR:** Chief Financial Officer – Kerrie Jordan**REVIEWED BY:** Director Corporate and Business Services – Vijaya  
Vaidyanath**SUMMARY:**

This report has been prepared to provide the Audit Committee with information on the proposed Director/General Manager 'representation letter' that will confirm the information contained within the annual financial statements for year ending 30 June 2011.

**CONSULTATION:**

Managers

**COMMITTEE RECOMMENDATION****MOVED:** Mr Albert Zago  
**SECONDED:** Cr Gaetano Greco

**THAT** this report on the proposed Director/General Manager 'representation letter' that will confirm the information contained within the annual financial statements for year ending 30 June 2011, be received and noted.

**CARRIED**

[Mr Ashmore left the meeting during discussion of this item at 6.06pm  
Mr Ashmore re-entered the meeting during discussion of this item at 6.07pm]

## 18. PROCUREMENT PROCESS CHANGES

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

**REVIEWED BY:** Director Corporate and Business Services – Vijaya Vaidyanath

### SUMMARY:

The purpose of this report is to ensure the Audit Committee is aware of proposed changes to procurement processes at the City of Darebin and to note any issues arising from these changes.

The changes proposed are:

- to replace the requirement of dual authorisation of all invoices over \$5,000 with the introduction of dual authorisation of all purchase orders over \$5,000; and
- to remove the requirement for the Director Corporate & Business Services and the Chief Executive Officer (CEO) to approve statutory invoices and for the Chief Financial Officer (CFO) to be authorised to be the second (and final) approver of these invoices.

The benefits of these proposed changes include strengthening the controls over procurement by requiring the second authoriser to raise queries about the procurement prior to any purchase being undertaken and to reduce the work load of many managers.

### CONSULTATION:

Director Corporate and Business Services  
Finance Accountant  
Managers

### COMMITTEE RECOMMENDATION

**MOVED:** Mr Albert Zago  
**SECONDED:** Cr Gaetano Greco

**THAT** the *Business Case for Computron Procurement Enhancements* report attached as **Appendix A** be received and noted.

**CARRIED**

## 19. RECOVERY OF INFRINGEMENT DEBT

**AUTHOR:** Acting Manager Compliance and Amenity – Marnie Benney

**DIRECTOR:** Director City Works and Development – Michael Ballock

### SUMMARY:

In June 2010 Pricewaterhouse Coopers (PWC) undertook an audit at the request of Council's Audit Committee which looked at Council's debt recovery and withdrawal procedures. The aim of this audit was to ensure compliance with relevant state legislation, ensure adequate measures were in place to minimise the risk of withdrawals of infringements being completed without following the legislated process and to ensure debt recovery efforts were reasonable and effective.

Council Officers are authorised to enforce a number of Acts, Regulations and Local Laws. The financial penalty for each Local Law is defined by Council under the Local Government Act 1989 whereas the costs of all other infringements are set by the State Government. The Compliance and Amenity Department issues Penalty Infringement Notices (Infringement) for violations of these State and Local Laws.

Council currently has thousands of dollars in unpaid infringements and is reviewing existing processes with a view to improve debt recovery.

The Infringements Act 2006 states an infringement notice must be paid within 28 days of being issued (unless the notice was sent via post in which case it is 42 days). Penalties relating to animal management infringements and local laws are usually posted whereas traffic offences are generally issued on the spot.

The process and cycle of an infringement is:

- The infringement is issued giving 28 days to pay if issued on the spot or 42 days to pay if sent via postal mail
- Penalty Reminder Notice is sent for unpaid infringements after 29 days (on the spot) or 42 (posted)
- Infringements which remain unpaid are sent to Debt Collection (around day 60+)
- Lodgement at Magistrates Court or Infringements Court (117 days+)

### CONSULTATION:

Compliance and Amenity staff  
Melbourne City Council  
Moonee Valley City Council  
Whitehorse City Council  
Whittlesea City Council  
Banyule City Council  
Hume City Council  
Nillumbik Shire Council  
Knox City Council

**COMMITTEE RECOMMENDATION**

**MOVED:** Cr Gaetano Greco  
**SECONDED:** Mr Albert Zago

**THAT** the report titled 'Recovery of Infringement Debt' be deferred to the Audit Committee meeting in August 2011.

**CARRIED**

[Mr O'Riordan left the meeting at 6.13pm]

## 20. CALENDAR OF EVENTS

**AUTHOR:** Director Corporate and Business Services – Vijaya Vaidyanath

**REVIEWED BY:** Chief Executive – Rasiah Dev

**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 2011 and February and May 2012.

**CONSULTATION:**

Senior Council Officers

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

**MOVED:** Mr Albert Zago  
**SECONDED:** Cr Gaetano Greco

**THAT** this report outlining the Calendar of Events for the next four meetings in August and November 2011 and February and May 2012 be received and noted.

**CARRIED**

## 21. OTHER BUSINESS

Nil.

## 22. NEXT MEETING/S

Monday, 29 August 2011 at 3.30pm in the Conference Room  
Monday, 21 November 2011 at 3.30pm in the Conference Room

## 23. IN CAMERA DISCUSSION

No in camera discussion was held.

**THE MEETING CLOSED AT 6.15PM**