



SUMMARY REPORT

AUDIT COMMITTEE

MEETING HELD ON

22 AUGUST 2011

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**AUDIT COMMITTEE MEETING OF THE
DAREBIN CITY COUNCIL HELD AT DAREBIN CIVIC CENTRE,
350 HIGH ST, PRESTON ON MONDAY, 22 AUGUST 2011**

THE MEETING OPENED AT 3.35PM

1. PRESENT

Members:

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

Internal Auditors:

Ms Wing Wong – PricewaterhouseCoopers

External Auditors:

Mr Robert Wernli - DFK Collins
Mr Mark Warren - DFK Collins

Officers:

Ms Kerrie Jordan – Chief Financial Officer
Mr Michael O’Riordan – Financial Accountant
Mr Fred Warner – Group Manager People and Performance

Minutes:

Ms Marisa Schiavello

1.1 WELCOME

Mr Ashmore welcomed all members to the meeting in particular Dr Carroll who was attending his first Audit Committee meeting at the City of Darebin.

Dr Carroll provided a brief overview of his career and advised that he had experience working across the three tiers of government (local, state and federal) and that he had spent the previous six years working in Canberra, ACT, for the Federal Government. Dr Carroll mentioned that his positions in Canberra included a governance role and he looked forward to making a contribution to the Audit Committee.

Mr Ashmore thought that the Audit Committee would benefit from Dr Carroll’s experience on all matters including social inclusion and he looked forward to future discussions on the issue.

2. APOLOGIES

Cr Diana Asmar (Mayor) – Committee Member
Mr Jason Agnoletto – PricewaterhouseCoopers
Mr Rasiah Dev – Chief Executive
Ms Vijaya Vaidyanath – Director Corporate and Business Services

3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

COMMITTEE DECISION

MOVED: Mr Albert Zago
SECONDED: Cr Gaetano Greco

THAT the Minutes of the Audit Committee Meeting held on Monday, 30 May 2011 be confirmed.

CARRIED

4. MATTERS ARISING FROM PREVIOUS MEETING

At its meeting on 30 May 2011 the Audit Committee, whilst discussing the internal audit report titled 'Cash Handling Review', requested that further information be provided at its next meeting on cash handling processes at Council's collection sites and the processing of refunds. The following report has been included in the Agenda:

- Cash Collection and Refunds.

It was confirmed that the following reports would be tabled at the Committee's meeting on 21 November 2011:

- Recovery of Infringement Debt
- Succession and Workforce Planning
- Capital Works Program Performance Report
- Related Party Transactions 2010/11
- Audit Committee Charter
- Audit Committee Self Assessment

Cr Greco advised that he had discussed the matters of Social Inclusion and the Capital Works Program with the Director Corporate and Business Services prior to her taking leave.

Social Inclusion

In preparation for the Social Inclusion audit scheduled for early 2012, Cr Greco proposed that Council management convene a workshop to develop a Scope for the impending review and that the Scope be provided to the Committee's next meeting in November 2011. Cr Greco encouraged all Audit Committee members to partake in the workshop as their expertise would be most helpful.

Action Arising

It was agreed that the Director Corporate and Business Services convene a meeting with relevant parties inviting Councillors on the Audit Committee, independent members, internal auditors, management and relevant Council officers to develop a Scope for Social Inclusion.

Capital Works Program

Cr Greco advised that uncompleted Capital Works had been a consistent problem over a number of financial years and thought that it would be beneficial to convene a workshop with relevant parties to discuss this issue.

Action Arising

It was agreed that the Director Corporate and Business Services convene a meeting to discuss the issues of the Capital Works Program with relevant parties.

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 17: Councillor Support and Expenses Policy

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.

6. REGISTER OF INTERESTS

The Chairperson invited members to declare any changes to their record of members' pecuniary interests. For the record, Dr Carroll provided a list of formal appointments.

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

Dr Bruce Carroll

- Brighten Nominees Pty Ltd
- Reconnexion Inc
- Southern Health Human Research Ethics Committee

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

7. COUNCIL'S RISK MANAGEMENT SYSTEM

AUTHOR: Senior Co-ordinator Corporate Risk Management – Kathy Duffy

REVIEWED BY: Group Manager People and Performance – Fred Warner

SUMMARY:

The Risk Management Policy and Framework has a number of components to it, including Council's Business Continuity Plan (BCP) and Council's Strategic Risks.

A report on the above components was tabled at the Audit Committee Meeting 30 May 2011. This report is to present to the Audit Committee:

1. A map that shows all the components that are part of Risk Management and the requirement that they meet the Risk Management standard AS/NZS ISO31000:2009. This map will act as a guide for management and the Audit Committee.
2. Council's Risk Management Policy and Framework endorsed by the Executive Management Team (EMT) on 19 August 2011. (Please note this item will be forwarded to Audit Committee members after the EMT meeting.)
3. Council's Strategic Risks endorsed by the EMT on 12 August 2011.
4. An update on Council's Business Continuity Plan process and timetable.

CONSULTATION:

Executive Management Team
Business Continuity Plan Steering Committee

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Gaetano Greco

THAT:

- (1) This report regarding Council's Risk Management System be received and noted.
- (2) Further reports be provided to all future Audit Committee meetings.

CARRIED

[Cr Asmar entered the meeting during discussion of this item at 4.05pm.
Cr Asmar left the meeting at 4.10pm and did not return.]

8. COUNCIL'S WORKCOVER STATUS AND FUTURE ACTIONS

AUTHOR: Senior Co-ordinator Corporate Risk Management – Kathy Duffy

REVIEWED BY: Group Manager People and Performance – Fred Warner

SUMMARY:

At its meeting on 1 March 2011, the Audit Committee requested that it be kept informed on progress made to minimise the WorkCover cost along with an update on the effectiveness of policies and procedures in place to manage this area through a report provided annually.

There are two parts to this Paper:

1. A report on activities that have occurred over the past few months to strengthen Council's management of WorkCover Claims, Return to Work processes and Council's Insurer.
2. A status report on Council's current WorkCover profile.

CONSULTATION:

Executive Management Team
Council's OHS Committees

COMMITTEE RECOMMENDATION

MOVED: Dr Bruce Carroll
SECONDED: Mr Albert Zago

THAT

- (1) This report regarding WorkCover be received and noted.
- (2) The Audit Committee be provided with progress reports on WorkCover on a 6-monthly basis.
- (3) A report be provided at the next Committee meeting in November 2011 which identifies lines of reporting and confirmation of Councillors obligations. The report should also consider the legislation and legal and insurance implications for Councillors.

CARRIED

[Mr Warner left the meeting at 4.28pm]

**9. INVESTMENT PERFORMANCE REPORT – 12 MONTHS ENDED
30 JUNE 2011****AUTHOR:** Financial Accountant - Michael O’Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**BUDGET****IMPLICATIONS:** Investments of \$39.2 million as at 30 June 2011 and interest earned on invested funds of \$2.23 million for the twelve months ended 30 June 2011.**SUMMARY:**

A comprehensive review of Council’s investment portfolio has been undertaken for the twelve months ended 30 June 2011. The Council’s investment portfolio has earned \$2.23 million in interest on investments with term deposits and cash investments earning an annualised rate of 5.85% (2010: 4.76%). As at 30 June 2011, the Council’s investment portfolio was valued at \$39.2 million (June 2010 \$37.0 million).

CONSULTATION:

CPG Research & Advisory.

COMMITTEE RECOMMENDATION**MOVED:** Mr Albert Zago
SECONDED: Mr Bruce Carroll**THAT** the contents of this report be received.**CARRIED**

10. DRAFT 2010-2011 FINANCIAL STATEMENTS, STANDARD STATEMENTS AND PERFORMANCE STATEMENT**AUTHOR:** Financial Accountant– Michael O’Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**FINANCIAL IMPLICATIONS:** Nil**SUMMARY:**

This report presents the draft Financial Statements, Performance Statement and Standard Statements for the 2010/11 year for Audit Committee review. Key elements in relation to the Statements are discussed together with commentary on the major variances from the previous year and budget in the Financial and Standard Statements respectively.

The report proposes that the Audit Committee recommend to Council that it approve in principle each of the Statements and authorise two Councillors to sign the Statements in their final form after any changes recommended, or agreed to, by the Auditor have been made.

CONSULTATION:

Rasiah Dev – Chief Executive Officer
Rob Wernli - DFK Collins (Auditor-General’s contractor)
Vijaya Vaidyanath – Director Corporate and Business Services

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Dr Bruce Carroll

THAT the Audit Committee recommend to Council that it:

1. approve in principle the Financial Statements, the Performance Statement and Standard Statements for the 2010/11 year subject to a management representation letter, minor amendments to the Statements and the Auditor-General’s review, and
2. authorise two Councillors to sign the Statements in their final form after any changes recommended, or agreed to, by the Auditor have been made.

CARRIED

11. EXTERNAL AUDITORS REPORT

AUTHOR: Director Corporate and Business Services – Vijaya Vaidyanath

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

At the meeting the External Auditors, DFK Collins, will present a closing report on the audit conducted at Darebin City Council.

CONSULTATION:

Senior Council Officers

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Dr Bruce Carroll

THAT the draft Closing report on the audit at Darebin City Council presented to the Audit Committee by the Auditor-General's representative, DFK Collins, be received and noted.

CARRIED

12. INTERNAL AUDIT REPORT – BUDGETING PROCESS

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 the processes and associated controls over the preparation of the Council's annual operating budget.

The objective of the assignment was to review and consider the processes and controls over Council's annual operating budget and involved:

- Reviewing the framework in place surrounding the annual operating budget preparation process including relevant policies and procedures; timetables and guidelines; reporting structure and templates; and approval mechanisms.
- Reviewing Council's annual operating budget process including linkage to the Long Term Financial Plan and relevant Council Strategic and Business plans; evidence of controls to ensure the accuracy and completeness of budgeting data; and communication and documentation of budget assumptions.
- Interviewing Directors and budget managers to consider the efficiency of the current operating budget process and ongoing monitoring processes adopted.

The review was completed by reviewing available documentation, discussions with key personnel and sample testing where appropriate.

PwC report that the review identified two 'B' rated and two 'C' rated findings for which action plans and timeframes have been agreed with management. PwC also offered comments on one area which required improvement.

CONSULTATION:

Director Corporate and Business Services
Director City Design and Environment
Director City Works and Development
Chief Financial Officer
Manager Community Planning, Partnerships and Performance
Manager City Development
Manager Parks and Gardens
Management Accountant

COMMITTEE RECOMMENDATION

MOVED: Dr Bruce Carroll
SECONDED: Mr Albert Zago

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

CARRIED

13. 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 30 May 2011.

Succession and Workforce Planning Review

The Succession and Workforce Planning review was scheduled to be performed during 2011. However after discussion with Council management and staff, it is proposed to postpone the review until a framework and related policies and procedures are formalised. The review will remain on the Internal Audit Plan for the 2012 year.

It is proposed to replace the Succession and Workforce Planning review with either a payroll review or a compliance with building permits review.

Audit Topic

PwC will present at the meeting a recent publication titled 'Consolidation in Local Government: A Fresh Look' released by the Australian Centre of Excellence for Local Government.

CONSULTATION:

Senior Council Officers

COMMITTEE RECOMMENDATION

MOVED: Cr Gaetano Greco

SECONDED: Mr Albert Zago

THAT

- (1) The attached report titled '*Internal Audit Activity*' prepared by the Internal Auditors be received and noted.
- (2) The Payroll Review be brought forward to the 2011 year and the Succession and Workforce Planning Review be rescheduled to the 2012 year.

CARRIED

14. ANNUAL DECLARATION OF AUDIT INDEPENDENCE

AUTHOR: Director Corporate and Business Services – Vijaya Vaidyanath

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

The Internal Auditors, PricewaterhouseCoopers (PwC) have provided an annual declaration of internal audit objectivity for the year ended 30 June 2011 and a list of other services provided to Council for the same period. PwC have indicated that they have not undertaken any role within Council that they believe to be in direct conflict to their responsibilities as provider of internal audit services.

CONSULTATION:**COMMITTEE RECOMMENDATION**

MOVED: Mr Albert Zago
SECONDED: Cr Gaetano Greco

THAT the attached statement titled '*Internal Audit Objectivity for the Year Ended 30 June 2011*' prepared by the Internal Auditors be received and noted.

CARRIED

15. 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 30 May 2011.

CONSULTATION:

Senior Council Officers

COMMITTEE RECOMMENDATION

MOVED: Cr Gaetano Greco
SECONDED: Dr Bruce Carroll

THAT the:

- (1) Attached report titled '*Follow up on Outstanding Audit Actions*' be received and noted.
- (2) Audit Committee reinforce the need to meet the revised completion dates on the reports issued in 2010 and prior.

CARRIED

[Mr Wernli left during discussion of this item at 5.25pm
Mr Wernli returned to the meeting at 5.28pm]

16. CASH COLLECTION AND REFUNDS

AUTHOR: Chief Financial Officer – Kerrie Jordan

REVIEWED BY: Director Corporate and Business Services – Vijaya Vaidyanath

SUMMARY:

As requested by the Audit Committee in May 2011, a review of all sites cash collection, storage, banking and refund processes was undertaken, excluding Customer Service Centres. This review found that all processes were appropriate for the amount of cash being collected by the various sites.

Further work will be undertaken by Finance to physically verify the findings in this report by 30 November 2011 and review all sites' refund policies.

CONSULTATION:

- Venue Manager Northcote Town Hall
- Manager Customer Service Libraries
- Darebin Toy Library Coordinator
- Manager Reservoir Leisure Centre
- Finance Officer Early Years & Children's Services
- Venue Coordinator DAEC
- Operations Manager Bundoora Park
- Manager Coopers Settlement
- Maternal & Child Health Services Coordinator

COMMITTEE RECOMMENDATION

MOVED: Dr Bruce Carroll

SECONDED: Mr Albert Zago

THAT this report regarding cash collection and refunds be received and noted.

CARRIED

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 Greco left the meeting at 5.35pm prior to consideration of this item.

17. COUNCILLOR SUPPORT AND EXPENSES POLICY

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 April 2011 to 30 June 2011.

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Dr Bruce Carroll

THAT the Audit Committee receive and note the Quarterly Summary of Councillor expenses for the period 1 April 2011 to 30 June 2011.

CARRIED

[Cr Greco re-entered the meeting at 5.37pm]

18. 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 November 2011, February, May and August 2012.

CONSULTATION:

Senior Council Officers

COMMITTEE RECOMMENDATION

MOVED: Dr Bruce Carroll
SECONDED: Mr Albert Zago

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

CARRIED

19. OTHER BUSINESS

Nil.

20. NEXT MEETING

The meeting to be held on Monday, 21 November 2011 at 3.30pm in the Conference Room was confirmed. A proposal for 2012 Audit Committee meetings will be provided at the meeting.

21. IN CAMERA DISCUSSION

Cr Greco, independent external Committee members and internal and external auditors determined that an in-camera discussion was not required.

THE MEETING CLOSED AT 5.50PM