



SUMMARY REPORT

AUDIT COMMITTEE

MEETING HELD ON

5 MARCH 2012

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**AUDIT COMMITTEE MEETING OF THE
DAREBIN CITY COUNCIL HELD AT DAREBIN CIVIC CENTRE,
350 HIGH ST, PRESTON ON 5 MARCH 2012**

THE MEETING OPENED AT 3.40PM

1. PRESENT

Members:

Mr David Ashmore – Chairperson
Mr Albert Zago – Independent External Member
Cr Steven Tsitas (Mayor) – Committee Member
Cr Diana Asmar (Deputy Mayor) – Committee Member

Internal Auditors:

Mr Martin Thompson – Crowe Horwath

External Auditors:

Mr Robert Wernli - DFK Collins

Officers:

Mr Rasiah Dev – Chief Executive
Ms Vijaya Vaidyanath – Director Corporate and Business Services
Ms Kerrie Jordan – Chief Financial Officer
Mr Michael O’Riordan – Financial Accountant
Ms Kathy Duffy – Senior Coordinator Corporate Risk Management

Minutes:

Ms Marisa Schiavello

1.1 WELCOME

The Mayor, Cr Tsitas and Mr Thompson were welcomed to their first Audit Committee meeting.

2. APOLOGIES

Dr Bruce Carroll – Independent External Member
Mr Fred Warner – Group Manager People and Performance

3 ELECTION OF CHAIRPERSON

INTRODUCTION AND BACKGROUND

The Audit Committee is an Advisory Committee appointed pursuant to section 139 of the Local Government Act 1989 to assist Council in fulfilling its responsibilities relating to internal control mechanisms and external reporting requirements.

In accordance with the Audit Committee Charter, a Chairperson and Deputy Chairperson is elected at its first meeting following a Special Meeting of Council.

On 1 March 2011, Mr David Ashmore was appointed as Chairperson of Council's Audit Committee for a period of 12 months and Mr Albert Zago was elected Deputy Chairperson.

Audit Committee Charter

The Audit Committee Charter states that:

- "4 (1) The Audit Committee will appointment a Chair and Deputy Chair for a twelve month term each Council year.
- (2) The Chair and Deputy Chair will be external members.
 - (3) The election of the Chair shall take place in accordance with the process for the election of the Mayor under the Darebin City Council Governance Local Law.
 - (4) The election of the Deputy Chair shall follow the election of the Chair and shall take place in accordance with the process for the election of the Deputy Chair.
 - (5) The Chair, and in their absence, the Deputy Chair, will preside over meetings of the Audit Committee."

A copy of the Audit Committee Charter is attached.

PROCESS

Election of Audit Committee Chairperson

The Director Corporate and Business Services will invite nominations for election to the position of Chairperson of the Audit Committee. If a ballot is required, then the Director Corporate and Business Services is required to conduct an election in accordance with the City of Darebin Governance Law 2007.

Election of Audit Committee Deputy Chairperson

The Director Corporate and Business Services will invite nominations for election to the position of Deputy Chairperson of the Audit Committee in accordance with the process for the election of the Deputy Chair.

COMMITTEE DISCUSSION

Call for nominations

Chairperson

Ms Vaidyanath, Director Corporate and Business Services, called for nominations for election of a Chairperson. In accordance with the Audit Committee Charter and Best Practice Guidelines, the Chairperson would be an independent Committee member. Mr

Ashmore was nominated for the position by Mr Zago and seconded by Cr Asmar. There being no further nominations, Mr Ashmore was duly elected Chairperson of the Audit Committee for the next twelve months.

Deputy Chair

Mr Ashmore resumed the Chair and called for nominations for the Deputy Chair. In accordance with the Audit Committee Charter and Best Practice Guidelines, the Deputy Chair would be an independent Committee member. Mr Zago was nominated for the position by Mr Ashmore and seconded by Cr Asmar. There being no further nominations, Mr Zago was duly elected Deputy Chair of the Audit Committee for the next twelve months.

4. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

COMMITTEE DECISION

MOVED: Mr Albert Zago
SECONDED: Cr Diana Asmar

THAT the Minutes of the Audit Committee Meeting held on 21 November 2011 be confirmed.

CARRIED

5. MATTERS ARISING FROM PREVIOUS MEETING

Ms Vaidyanath explained that the following reports arising from the November 2011 meeting, would be provided to the Audit Committee meeting on 4 June 2012. She advised that although a lot of work had been done, further investigation was required to complete the reports.

- Testing of Payroll attendance sheets (Fred Warner)
- Infringement Debt (Marnie Benney/Eddy Boscarior)
- Infringement Policy (Marnie Benney/Eddy Boscarior)

6. DISCLOSURES OF CONFLICT OF INTEREST

Audit Committee members were asked to disclose any conflicts of interest on any matters listed on the Agenda. The following disclosure or disclosures were made.

Item 10: Councillor Support and Expenses – Quarterly Report

Cr Tsitas 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 Tsitas left the meeting prior to discussion of that item.

Cr Asmar 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 Asmar left the meeting prior to discussion of that item.

Item 10: Councillor Support and Expenses – Quarterly Report was the last item discussed at the meeting at 5.40pm.

7. REGISTER OF INTERESTS

The Chairperson invited members to declare any changes to their record of members' pecuniary interests. Cr Tsitas and Cr Asmar declared an interest in the Darebin Enterprise Centre Limited and the register has been updated accordingly.

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
- Hobsons Bay City Council

Mr Albert Zago

- Nil

Dr Bruce Carroll

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

Cr Steven Tsitas

- Darebin Enterprise Centre Limited (DECL)

Cr Diana Asmar

- Darebin Enterprise Centre Limited (DECL)

8. RISK PREVENTION AND RESILIENCE – BUSINESS CONTINUITY PLANNING

AUTHOR: Senior Coordinator Corporate Risk Management – Kathy Duffy

REVIEWED BY: Group Manager People and Performance – Fred Warner

SUMMARY:

The Audit Committee requested that the Senior Co-ordinator, Corporate Risk Management, Darebin City Council, provide regular briefings to the Audit Committee on the implementation of Council's Risk Management Strategy.

As part of Council's risk prevention and resilience planning, Global Risk Management Services (GRMS) was commissioned to review Darebin City Council's Business Continuity Plan organisational requirements.

Developing a Business Continuity Plan (BCP) will ensure that, should an interruption occur, Council knows how to re-start its critical functions within an acceptable timeframe. The BCP is a key element of Council's Risk Management Strategy.

The attached report was presented to Executive Committee Members (EMT) for feedback prior to drafting a BCP for Council.

CONSULTATION:

Department Managers
Members of Council's Business Continuity Planning Steering Committee

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Steven Tsitas

THAT the Audit Committee receive and note this report titled '*Risk Prevention and Resilience – Business Continuity Planning*'.

CARRIED

[Cr Asmar left the meeting during discussion on this item at 4.04pm
Cr Asmar re-entered the meeting at 4.05pm]

9. DIRECTOR'S DUTIES UNDER THE NEW FEDERAL GOVERNMENT MODEL WORKPLACE HEALTH AND SAFETY BILL (WHS BILL)

AUTHOR: Senior Coordinator Corporate Risk Management – Kathy Duffy

REVIEWED BY: Group Manager People and Performance – Fred Warner

SUMMARY:

The Audit Committee requested that the Senior Co-ordinator, Corporate Risk Management, City of Darebin, provide regular briefings to the Audit Committee on OHS matters affecting legal and compliance issues and keep Members abreast of OHS issues in our business.

The attached report is to advise members of the Executive Management Team (EMT) as to the objectives that could be set for members of the EMT with a view to effecting compliance with the director's occupational health and safety duties under the:

- Federal Government's move towards a harmonised national workplace health and safety regime (Model WHS Bill), and
- The Victorian Work Health and Safety Act which will "mirror" the requirements of the Model Workplace Health and Safety Bill.

CONSULTATION:

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Diana Asmar

THAT the Audit Committee receive and note this report regarding Director's duties under the new Federal Government Model Workplace Health and Safety Bill (WHS Bill).

CARRIED

Ms Duffy left the meeting at 4.15pm.

Item 10 – Councillor Support and Expenses – Quarterly Report was discussed at the end of the meeting at 5.40pm

Cr Tsitas 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 Tsitas left the meeting at 5.40pm prior to discussion of this item.

Cr Asmar had previously 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 her. Cr Asmar left the meeting at 4.30pm prior to discussion of this item

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 October 2011 to 31 December 2011.

COMMITTEE DISCUSSION

In the absence of Cr Tsitas and Cr Asmar, the meeting became inquorate. The confidential summary of Councillor expenses was distributed and discussed by the remaining members. At the conclusion of discussion, the confidential paper was collected.

11. AUDIT STRATEGY FOR THE YEAR ENDING 30 JUNE 2012

AUTHOR: Director Corporate and Business Services – Vijaya Vaidyanath

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

Mr Rob Wernli, Partner, DFK Collins, will present the Audit Strategy for Darebin City Council for the year ending 30 June 2012. The Strategy has been prepared to communicate the approach to the audit of Council's annual financial report and performance statements for the year ending 30 June 2012. The audit approach focuses on significant financial reporting risks. This involves gaining an understanding of key financial reporting processes and a combination of internal control testing and substantive audit procedures to assess the residual risk of material error.

To assist Council to achieve its financial reporting targets, DFK Collins has planned audit visits and deliverables which have been agreed to by management.

CONSULTATION:

Chief Financial Officer
Financial Accountant

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Steven Tsitas

THAT the attached report titled "*Audit Strategy for the year ended 30 June 2012*" prepared by the External Auditors, DFK Collins, be received and noted.

CARRIED

[Cr Asmar left the meeting at 4.30pm.
Mr Wernli left the meeting at 4.35pm]

12. INTERNAL AUDIT REPORT – FOLLOW UP REVIEW

AUTHOR: Director Corporate and Business Services – Vijaya Vaidyanath

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

In accordance with Darebin City Council's Internal Audit Plan 2011, PricewaterhouseCoopers (PwC) undertook a follow up review of outstanding internal audit issues as at 31 October 2011.

The objective of the assignment was to review the implementation status of outstanding internal audit recommendations for high and moderate rated findings which had not been completed and were identified in the prior Follow Up Review (dated February 2011) and to review the implementation status of recommendations for findings due by 31 October 2011 from internal audit reports issued during the 2011 calendar year.

The review was undertaken by interviewing responsible officers and discussing the action plans, obtaining written comments on the status of agreed action plans, and obtaining audit evidence for high and moderate rated findings that management had identified as being finalised.

PwC report that there were 28 issues due for completion by 31 October 2011; of these 13 have been verified as 'complete' and 15 have been verified as 'in progress'.

CONSULTATION:

Chief Financial Officer
Financial Accountant
Manager Risk Services
Manager Amenity and Enforcement
Manager Organisational Support and Development
Manager Reservoir Leisure Centre
Manager (Acting) Libraries, Learning and Youth
Coordinator Payroll
Coordinator Monitoring Systems
Coordinator HACC Service Delivery Unit
Coordinator Assessment and Complex Care
Coordinator Procurement and Contracting

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Steven Tsitas

THAT the attached report titled "*Follow Up Review*" prepared by PricewaterhouseCoopers be received and noted.

CARRIED

**13. INTERNAL AUDIT REPORT – STRATEGIC INTERNAL AUDIT
PLAN 2012-2014**

AUTHOR: Director Corporate and Business Services – Vijaya
Vaidyanath

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

Crowe Horwath has been contracted to provide internal audit services to Darebin City Council. In accordance with Council's internal audit contract specification, the Plan presents a three year indicative Strategic Audit Plan and an Annual Audit Plan.

The proposed Strategic Internal Audit Plan including the Annual Audit Plan sets out the scope of the planned work to be undertaken by the Internal Auditors for 2011-2014 and was developed based on consideration of:

- Council's risk profile;
- Discussions with the Director Corporate and Business Services and the Chief Financial Officer; and
- Current risk issues prevalent in the local government sector.

The Audit Committee's view is sought on the proposed Strategic Internal Audit Plan 2012-2014 and the Annual Audit Plan 2012.

CONSULTATION:

Director Corporate and Business Services
Chief Financial Officer
Internal Auditors, Crowe Horwath

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Steven Tsitas

THAT the attached reported titled "*Strategic Internal Audit Plan 2012-2014*" prepared by the Internal Auditors, be received and noted.

CARRIED

14. 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 21 November 2011.

CONSULTATION:

Senior Council Officers

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Steven Tsitas

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

CARRIED

15. FINANCIAL REPORT – 6 MONTHS ENDED 31 DECEMBER 2011**AUTHOR:** Financial Accountant – Michael O’Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**BUDGET****IMPLICATIONS:** Year to date operating surplus of \$50.1 million and capital works expenditure of \$6.0 million. Forecast full year operating surplus of \$9.5 million and capital works expenditure of \$35.7 million.**SUMMARY:**

A comprehensive mid-year financial review has been undertaken for the six months ended 31 December 2011 to assess the financial performance of Council year-to-date and the forecast financial position as at 30 June 2012. The outcome of the review indicates that Council has achieved a year-to-date operating surplus of \$50.1 million, which is \$4.3 million ahead of budget and capital works expenditure of \$10.7 million, which is \$8.0 million behind the budget. The forecast actual results for the year ending 30 June 2012 are an operating surplus of \$9.5 million and capital works expenditure of \$35.7 million. All material variations have been explained in the report.

CONSULTATION:

Managers and Coordinators.

COMMITTEE RECOMMENDATION**MOVED:** Mr Albert Zago
SECONDED: Cr Steven Tsitas

THAT the contents of the “Financial Report for the six months ended 31 December 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

16. FINANCIAL REPORTING DEVELOPMENTS

AUTHOR: Financial Accountant - Michael O'Riordan

MANAGER: Chief Financial Officer – Kerrie Jordan

**BUDGET
IMPLICATIONS:** Nil

SUMMARY:

This report provides a brief overview of key financial reporting developments which Council will need to consider for its financial reporting for the year ending 30 June 2012.

CONSULTATION:

Rob Wernli – DFK Collins

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Steven Tsitas

THAT this report on financial reporting developments be received and noted.

CARRIED

**17. INVESTMENT PERFORMANCE REPORT – 6 MONTHS ENDED
31 DECEMBER 2011****AUTHOR:** Financial Accountant - Michael O’Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**BUDGET****IMPLICATIONS:** Investments of \$39.7 million as at 31 December 2011 and interest earned on invested funds of \$1.02 million for the six months ended 31 December 2011.**SUMMARY:**

A comprehensive review of Council’s investment portfolio has been undertaken for the six months ended 31 December 2011. The Council’s investment portfolio has earned \$1.02 million in interest on investments with term deposits and cash investments earning an annualised rate of 5.78% (December 2010: 5.60%). As at 31 December 2011, the Council’s investment portfolio was valued at \$39.7 million (December 2010 \$41.5 million).

CONSULTATION:

Nil.

COMMITTEE RECOMMENDATION**MOVED:** Mr Albert Zago
SECONDED: Cr Steven Tsitas**THAT** the contents of the Investment Performance Report – 6 Months Ended 31 December 2011 be received and noted.**CARRIED**

**18. CAPITAL WORKS PROGRAM – DECEMBER 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 for the six months ended 31 December 2011. This report was presented to council as a briefing paper in February.

Measures were 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:** Cr Steven Tsitas**SECONDED:** Mr Albert Zago

THAT this report on the performance Capital Works Program as at 31 December 2011 be received and noted.

CARRIED

19. BACKGROUND FINANCIAL INFORMATION**AUTHOR:** Chief Financial Officer – Kerrie Jordan**REVIEWED BY:** Director Corporate and Business Services – Vijaya Vaidyanath**SUMMARY:**

The attached paper has been provided to Councillors, the Chief Executive, Directors and General Managers to assist the understanding of the financial context before the formal deliberations on the future financial direction and preparation of the 2012/2013 budget.

The paper is provided to the Audit Committee for information only.

COMMITTEE RECOMMENDATION**MOVED:** Mr Albert Zago
SECONDED: Cr Steven Tsitas

THAT the attached report titled '*Background Financial Information*' is noted.

CARRIED

**20. AUDITOR-GENERAL REPORT - LOCAL GOVERNMENT:
RESULTS OF THE 2010-11 AUDITS**

AUTHOR: Director Corporate and Business Services – Vijaya Vaidyanath

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

The Auditor-General releases a report each year on the audit results for local government. It informs Parliament about significant issues arising from the audits of financial, standard and performance statements. The report comments on the quality and timeliness of financial reporting, the financial sustainability of councils (and regional library corporations), internal audit arrangements and internal controls over procurement and asset management. The full report is appended and provided for your information.

COMMITTEE RECOMMENDATION

MOVED: Cr Steven Tsitas
SECONDED: Mr Albert Zago

THAT the attached report titled '*Local Government: Results of the 2010-11 Audits*' be noted.

CARRIED

[Mr O'Riordan left the meeting at 5.23pm]

21. AUDIT COMMITTEE ANNUAL SELF ASSESSMENT REVIEW 2010/2011

AUTHOR: Director Corporate & Business Services – Vijaya Vaidyanath

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

In accordance with the Audit Committee Charter, the Committee is required to undertake an annual self assessment of its performance and make recommendations for improvement.

At its meeting on 1 March 2011, the Committee considered the “Guide to Good Practice for Local Government” (the Guide) which included the Audit Committee Self Assessment template.

At its meeting on 30 May 2011, the Committee considered and approved the proposed process for undertaking the annual self assessment of its performance.

Accordingly, a questionnaire based on the Guide to Good Practice for Local Government” (the Guide) and a copy of the Audit Committee Charter were distributed to Committee members, Internal Auditors and Senior Council Officers in May 2011 for their consideration. Six responses were received and the overall self assessment rating of the Audit Committee’s performance for the 2010/2011 year was 4.7. The highest possible score rating is 6.0.

This report presents a summary of the survey results including ratings, comments and suggested improvements. This Committee is required to discuss the survey results and agree on potential improvements that it will undertake to enhance its future performance.

The report was provided to the Committee for its consideration at its meeting on 21 November 2011 but was postponed due to time constraints.

CONSULTATION:

Audit Committee

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Steven Tsitas

THAT the overall self assessment rating is noted and the recommended actions for improvement be implemented.

CARRIED

22. 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 proposed reports for the next four meetings in June, August and December 2012 and February 2013.

CONSULTATION:

Senior Council Officers

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Steven Tsitas

THAT this report outlining the Calendar of Events for the next four meetings in June, August and December 2012 and February 2013 be noted.

CARRIED

23. OTHER BUSINESS

23.1 BUDGET PROCESS

Ms Vaidyanath distributed a paper titled 'Process and Meeting Dates' which referred to the upcoming budget process.

Cr Tsitas explained that Councillors had discussed the proposed Budget at a recent Councillor Workshop and that discussions held at the workshop would set the context of future debate.

23.2 LOCAL GOVERNMENT INVESTIGATIONS AND COMPLIANCE INSPECTORATE AUDIT

Ms Vaidyanath distributed the abovementioned paper for the Committee's information. The audit examined 27 areas of Council's compliance with the Local Government Act and found that there were no areas in which Council was non compliant. This was a very pleasing result.

There were two areas where Council was 'close to compliant' – these were more administrative lapses and the actions were completed last year and this year in February 2012. There are no issues outstanding.

Mr Dev advised that the City of Darebin has been cited for good practice and officers are to be commended for their good work. Mr Thompson advised that it was a very good outcome for Council.

Mr Zago wanted a better understanding of the work of the Local Government Investigations and Compliance Inspectorate and Ms Vaidyanath undertook to meet/speak off line and provide that information.

23.3 INDICATIVE CONSULTATION PROCESS FOR COUNCIL PLAN 2013-2017

Ms Vaidyanath distributed a document and advised that Council was embarking on a consultation process for the Council Plan.

23.4 CHAIRPERSON MEETING WITH COUNCILLORS

Ms Vaidyanath advised that Mr Ashmore was attending the Council dinner and Council meeting at the conclusion of proceedings.

24. NEXT MEETING/S

Other meetings for the 2012 year are as follows:

- Monday 4 June 2012
- Monday 27 August 2012
- Monday 3 December 2012

Mr Ashmore advised that he was not able to attend the Audit Committee meeting on 4 June 2012 in person but would provide input via teleconference. Mr Zago would chair the meeting.

25. IN-CAMERA DISCUSSION

No in-camera discussion was held.

Cr Tsitas left the meeting at 5.40pm.

At 5.40pm, Item 10 – Councillor Support and Expenses – Quarterly Report was discussed. Refer Page 10 of the Minutes.

THE MEETING CLOSED AT 5.42PM