



**SUMMARY REPORT  
AUDIT COMMITTEE MEETING**

**HELD ON**

**2 MARCH 2015**



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**MINUTES OF THE AUDIT COMMITTEE MEETING OF THE  
DAREBIN CITY COUNCIL HELD AT DAREBIN CIVIC CENTRE  
350 HIGH ST, PRESTON ON MONDAY 2 MARCH 2015**

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**THE MEETING OPENED AT 2.44 PM**

**1. PRESENT**

***Members:***

Mr Michael Said – Chairperson

Mr Terry Richards – Independent External Member

Cr Steven Tsitas (Mayor) – Committee Member

Cr Tim Laurence – Committee Member

***Internal Auditors:***

Mr John Gavens – Crowe Horwath

***External Auditor:***

Mr Tim Loughnan – Victorian Auditor General's Office

***Officers:***

Mr Rasiah Dev – Chief Executive

Ms Tiffany White – Acting Director Corporate Services

Ms Sally Jones – Acting Director Culture, Leisure and Works

Mr Steve Hamilton – Director Asset and Business Services

Ms Katrina Knox – Director Community Development

Ms Kerrie Jordan – Chief Financial Officer / Acting Manager Corporate Risk

Ms Jacinta Stevens – Manager Corporate Governance and Performance

Mr Michael O'Riordan – Financial Accountant

Ms Lauren Close – Coordinator Procurements and Contracting

Mr Jim Barrett – Coordinator Performance Support

***Observer:***

Mr Peter Lewinsky - Monitor

***Minutes:***

Ms Melanie Nitchov

## 2. ELECTION OF AUDIT COMMITTEE CHAIRPERSON AND DEPUTY 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 24 November 2014, Mr David Ashmore stepped down as both the Chairperson of Council's Audit Committee and as an independent member following the completion of his term. Following an expression of interest, short listing and interview process, Council resolved at their meeting of 5 November 2014 to appoint Mr Terry Richards as independent Audit Committee member to replace Mr Ashmore.

### Audit Committee Charter

The Audit Committee Charter states that:

- (1) The Audit Committee will appoint 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."

The Audit Committee Charter was adopted at the Special Meeting of Council on Monday 10 November 2014 and is attached for reference (refer attachment item 1).

### PROCESS

#### Election of Audit Committee Chairperson

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

**CHAIRPERSON**

Mr Michael Said was nominated for the position of Chairperson. There being no further nominations, Mr Said was duly elected Chairperson of the Audit Committee for the next twelve months.

**Election of Audit Committee Deputy Chairperson**

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

**DEPUTY CHAIR**

Dr Bruce Carroll was nominated for the position of Deputy Chair. There being no further nominations, Dr Carroll was duly elected Deputy Chair of the Audit Committee for the next twelve months.

**3. APOLOGIES*****Members:***

Dr Bruce Carroll – Deputy Chairperson (Dr Carroll had sought a leave of absence)

Mr Martin Thompson – Crowe Horwath

**4. 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.

## 5. REGISTER OF INTERESTS

Audit Committee members are asked to declare any items of pecuniary interest. The following record of members' disclosures will remain until amended by the member concerned.

### Dr Bruce Carroll

- Brighten Nominees Pty Ltd
- Monash Surgical Private Hospital
- Royal Melbourne Institute of Technology (RMIT)

### Mr Michael Said

- Manningham City Council
- Yarra City Council
- Whitehorse City Council
- Bayside City Council
- Whittlesea City Council
- Baw Baw City Council
- Colac Otway Shire Council
- Moorabool Shire Council
- Yarra Plenty Regional Library
- Chisholm Institute of TAFE

### Mr Terry Richards

- None

## 6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

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| <b>RECOMMENDATION</b> |
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**MOVED:** Cr Steven Tsitas

**SECONDED:** Mr Mike Said

**THAT** the minutes of the Audit Committee Meeting held on Monday 24 November 2014 be confirmed.

**CARRIED**



## **7. CEO REPORT - DEVELOPMENTS IN THE CITY AND LEGISLATIVE COMPLIANCE MATTERS**

The Chief Executive, Mr Dev, briefed the Audit Committee on recent important developments in the City of Darebin.

### **New Audit Committee Member**

- Council resolved to appoint Mr Terry Richards as a new external independent Audit Committee member in December replacing David Ashmore. Mr Richards joins the Audit Committee for the first time today.

### **Executive Management Team Changes since November 2014**

- Daniel Freer, Director Culture Leisure and Works resigned to pursue other local government opportunities and joined the City of Kingston in January 2015. Sally Jones has been appointed Acting Director Culture Leisure and Works.
- Paul Crapper, Director Corporate and Planning Services resigned due to personal and family reasons and left Darebin last Friday. Tiffany White has been appointed Acting Director Corporate Services.

### **State Election 2014**

- The two Councillors who elected to stand for State election – Councillors Gaetano Greco and Trent McCarthy were unsuccessful.
- Council is conducting an investigation into reports that Council stationery and collateral may have been used in an election campaign.

### **2014 VLGA Good Governance Award**

- Council received a high commendation as one of 4 finalists for the VLGA's Good Governance Award for its Participatory Budgeting project at the awards on 4 December last year.

### **2015 LGPro Awards**

- In the last 2 weeks, Darebin achieved wonderful results at the 2015 LGPro Awards for Excellence, winning two awards, taking out the award in the Service Delivery Initiative category for our Active Spaces program and also winning the Sustainability Initiative category for our Solar Saver program.

**Executive Focus – Outstanding Audit Matters and Capital Works Reviews**

- Since the Audit Committee expressed concerns regarding the number of **outstanding audit matters** at its meeting of 25 August 2014, the Executives have continued to focus considerable effort to reduce the number of outstanding audit matters in line with the intent of the audit recommendations made by the internal auditors. The number of outstanding matters has decreased from 86 at 25 August to 35 today. This will be discussed further at agenda item 24.
- In addition the Executives have focused considerable effort on improving the delivery of Council's **capital works program** through monthly capital works reviews. Although \$4.23M down on budget as at 31 December 2014 based on actual spend, Council are \$5.59M ahead of budget when one considers actual spend plus issued purchase order commitments for the first 6 months of 2014/2015.

**Councillor Strategic Workshop and 2015/2016 Budget**

- The annual Councillor Strategic Workshop was held from 20–22 February at the Keon Park Community Hub. This year the focus was for the agenda to be more interactive, more strategic and to build confidence with Councillors.
- The Workshop was very successful and created a clear path forward strategically as Council and Council management develop the 2015/2016 budget. The 2015/2016 budget development is well advanced commencing back in late November last year. The Draft budget will be considered by Council on 4 May 2015 for approval to go to public consultation.

**COMMITTEE RECOMMENDATION**

**MOVED:** Cr Steven Tsitas

**SECONDED:** Mr Terry Richards

**THAT** the Audit Committee:

Receive and note the update given by the CEO on Developments In the City and Legislative Compliance Matters.

**CARRIED**

**8. DECLARATION OF LEGAL COMPLIANCE BY CEO**

Further to the Audit Committee meeting held on 24 November 2014 it was requested that an official declaration from the CEO about legal compliance matters be incorporated and discussed at the Audit Committee Meeting on 2 March 2015.

The CEO declared Darebin City Council has been legally compliant in its operations in 2014/15.

The CEO declared this has been attested to through a Quarterly Questionnaire completed by all Directors as at 31 December 2014.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:** Mr Terry Richards

**SECONDED:** Cr Steven Tsitas

**THAT** the Audit Committee:

Receive the Declaration of Legal Compliance by the CEO.

**CARRIED**

## 9. MATTERS ARISING FROM PREVIOUS MEETING/S

- Declaration of Legal Compliance by CEO – Refer Item 8
- Related Party Transactions Report to be included on Agenda of 31 August 2015 Audit Committee Meeting – Refer Item 28
- Minutes of the Business Continuity Plan Sub-Committee to be forwarded to the Governance, Risk and Corporate Performance Committee – Refer Item 27
- Strategic Risks to be reported to Audit Committee and subsequently to Council on a 6 monthly basis via the Governance, Risk and Corporate Performance Committee – Refer Item 27
- Minutes of the Governance, Risk and Corporate Performance Committee to be presented at future Audit Committee meetings to address the risk management process – Refer Item 27
- A Risk Management session to be run for Councillors – to be considered once management has completed their current strategic and operational risk register reviews
- Risk Management Policy and Framework Policy to be included on March agenda for Audit Committee – Refer Item 16
- Update on Provision for Internal Audit Services Tender – Refer Item 32 (In Camera discussion)
- Completed audit actions to be removed from the Outstanding Audit Actions list – Refer Item 24
- Council to determine criteria for engaging a probity advisor and/or a probity auditor and when the probity auditor oversees the process – Procurement Policy updated and now reflects engagement of a probity advisor and/or a probity auditor on the basis of a risk assessment matrix
- Procurement matters to be reported to EMT on a bi-monthly basis – updated to EMT meeting schedule
- Procurement matters via Section 186 reporting to be reported to the Audit Committee at each meeting – Refer Item 25
- A Local Government Reporting Framework update be provided to the Audit Committee at its 2 March 2015 meeting – Refer Item 26

The abovementioned matters, for which reports have been included in the Agenda, were raised by the Audit Committee at its previous meeting on 24 November 2014.

No other matters are outstanding.

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## 10. COUNCILLOR SUPPORT AND EXPENSES REPORT

**AUTHOR:**                **Manager Corporate Governance and Performance –  
Jacinta Stevens**

**REVIEW:**                **Chief Executive – Rasiah Dev**

### **SUMMARY:**

This report provides the summary of expenses and reimbursements made by Councillors for the period 1 October 2014 to 31 December 2014.

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| <b>RECOMMENDATION</b> |
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**THAT** the Audit Committee:

- (1) Receive and note the Summary of Councillor expenses and reimbursements attached as **Appendix A** for the period 1 October 2014 to 31 December 2014.
- (2) Receive and note the summary of officer mobile phone expenses and reimbursements including cumulative amounts attached as **Appendix B** to this report for the billing period October to December 2014.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:**                **Mr Terry Richards**

**SECONDED:**        **Mr Michael Said**

**THAT:**

- (1) The Audit Committee receive and note the Summary of Councillor expenses and reimbursements attached as **Appendix A** for the period 1 October 2014 to 31 December 2014.
- (2) The Audit Committee receive and note the summary of officer mobile phone expenses and reimbursements including cumulative amounts attached as **Appendix B** to this report for the billing period October to December 2014.
- (3) Comparative quarter data for the Summary of Councillor expenses and reimbursements is brought to all future Audit Committee meetings.

**CARRIED**

## 11. GIFTS AND HOSPITALITY REPORT

**AUTHOR:** Manager Corporate Governance and Performance –  
Jacinta Stevens

**DIRECTOR:** Chief Executive – Rasiah Dev

### SUMMARY:

This report provides the quarterly summary on gifts and hospitality declared by Councillors and Officers for the period 1 October 2014 to 31 December 2014. In addition it also reports on the cumulative value of gifts and hospitality for Councillors and officers whereby they have received gifts or hospitality from the same person or organisation.

### RECOMMENDATION

**THAT** the Audit Committee:

- (1) Receive and note the Summary of Councillor gifts and hospitality, attached to this report as **Appendix A** declared for the period 1 October 2014 to 31 December 2014.
- (2) Receive and note the Summary of Officers gifts and hospitality, attached to this report as **Appendix B** respectively, declared for the period 1 October 2014 to 31 December 2014.
- (3) Note the cumulative summaries of gifts and / or hospitality received by Councillors and Council officers attached as **Appendix C**.

### COMMITTEE RECOMMENDATION

**MOVED:** Cr Tim Laurence

**SECONDED:** Cr Steven Tsitas

**THAT** the Audit Committee:

- (1) Receive and note the Summary of Councillor gifts and hospitality, attached to this report as **Appendix A** declared for the period 1 October 2014 to 31 December 2014.
- (2) Receive and note the Summary of Officers gifts and hospitality, attached to this report as **Appendix B** respectively, declared for the period 1 October 2014 to 31 December 2014.

- (3) Note the cumulative summaries of gifts and / or hospitality received by Councillors and Council officers attached as **Appendix C**.

**CARRIED**

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## 12. FINANCIAL REPORT – 6 MONTHS ENDED 31 DECEMBER 2014

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

**REVIEWED BY:** Director Corporate and Planning Services – Paul Crapper

### SUMMARY:

A comprehensive mid-year financial review has been undertaken for the six months ended 31 December 2014 to assess the financial performance of Council year-to-date and the forecast financial position as at 30 June 2015. The outcome of the review indicates that Council has achieved a year-to-date operating surplus of \$58.7 million, which is \$2.9 million ahead of budget and capital works expenditure of \$13.2 million, which is \$4.2 million behind the budget.

The forecast actual result for the year ending 30 June 2015 is an operating surplus of \$7.0 million and capital works expenditure of \$42.1 million. The forecast underlying result for the year ending 30 June 2015 is a surplus of \$0.9 million. All material variations have been explained in the report.

All material variations have been explained in the report.

### CONSULTATION:

Managers and Co-ordinators.

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| <b>RECOMMENDATION</b> |
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**THAT** the contents of the “Financial Report for the six months ended 31 December 2014” 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 received and noted.



**COMMITTEE RECOMMENDATION**

**MOVED: Mr Terry Richards**

**SECONDED: Cr Tim Laurence**

**THAT** the contents of the “Financial Report for the six months ended 31 December 2014” 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 received and noted.

**CARRIED**

**13. CAPITAL WORKS PROGRAM - DECEMBER 2014  
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 2014. This report was presented to council as a briefing paper in February.

The report presents program financial, projects timing and general commentary regarding program and individual project performance. Where appropriate, management measures are provided to provide comment on any budget / timing variances, to ensure delivery of the program on time and on budget.

Overall, the 2014/2015 program is on track, with no major risks or issues identified.

**CONSULTATION:**

EMT

Managers and Coordinators

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| <b>RECOMMENDATION</b> |
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**THAT** this report on the performance Capital Works Program as at 31 December 2014 be received and noted.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:** Mr Terry Richards**SECONDED:** Mr Tim Laurence

**THAT** this report on the performance Capital Works Program as at 31 December 2014 be received and noted.

**CARRIED**

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**14. INVESTMENT PERFORMANCE REPORT – 6 MONTHS  
ENDED 31 DECEMBER 2014****AUTHOR:** Financial Accountant - Michael O’Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**BUDGET****IMPLICATIONS:** Investments of \$43.5 million as at 31 December 2014 and interest earned on invested funds of \$0.62 million for the six months ended 31 December 2014.**SUMMARY:**

A comprehensive review of Council’s investment portfolio has been undertaken for the six months ended 31 December 2014. The Council’s investment portfolio has earned \$0.62 million in interest on investments with term deposits and cash investments earning an annualised rate of 3.26% (December 2013: 3.60%). As at 31 December 2014, the Council’s investment portfolio was valued at \$43.5 million (December 2013 \$40.04 million).

**CONSULTATION:**

Nil.

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| <b>RECOMMENDATION</b> |
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**THAT** the contents of this report be received.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:** Cr Steven Tsitas**SECONDED:** Mr Terry Richards

**THAT** the contents of this report be received.

**CARRIED**

**15. 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 2015.

**CONSULTATION:**

Remy Szpak – Victorian Auditor-General's Office

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| <b>RECOMMENDATION</b> |
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**THAT** this report on financial reporting developments be received and noted.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:** Mr Mike Said

**SECONDED:** Mr Terry Richards

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

**CARRIED**

**16. CORPORATE RISK AND BCP UPDATE****AUTHOR:** Acting Corporate Risk Manager – Kerrie Jordan**REVIEWED BY:** Director Corporate and Planning Services – Paul Crapper**SUMMARY:**

This report provides an update of Council's current risk management status in relation to its Strategic and Operational Risks, Risk Performance and Business Continuity Planning.

**CONSULTATION:**

Executive Management Team  
Strategic Risk and Insurance Advisor  
Claims Administration and Support Officer  
MAV Insurance  
Echelon Claims Services

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| <b>RECOMMENDATION</b> |
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**THAT** the Audit Committee receives and notes this report.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:** Cr Steven Tsitas

**SECONDED:** Mr Terry Richards

- (1) **THAT** the Audit Committee receives and notes this report.
- (2) **THAT** the Terms of Reference for the BCP Committee be brought to the Audit Committee meeting on 1 June 2015.

**CARRIED**

**17. VAGO EXTERNAL AUDIT STRATEGY 2014-2015**

**AUTHOR:** Director Corporate and Planning Services – Paul Crapper

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

**SUMMARY:**

The audit strategy for the year ending 30 June 2015 has been prepared by the Victorian Auditor-General's Office and sets out their approach to the audit of the Darebin City Council financial report, standard statements and performance statement for 2014-2015.

**CONSULTATION:**

Director Corporate and Planning Services  
Chief Financial Officer  
Financial Accountant

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| <b>RECOMMENDATION</b> |
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**THAT** the attached report titled 'Darebin City Council Strategy Year Ending 30 June 2015' prepared by the Victorian Auditor-General's Office, be received and noted.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:** Cr Steven Tsitas  
**SECONDED:** Mr Terry Richards

**THAT** the attached report titled 'Darebin City Council Strategy Year Ending 30 June 2015' prepared by the Victorian Auditor-General's Office, be received and noted.

**CARRIED**

**18. INTERNAL AUDIT REPORT – CONTRACT MANAGEMENT**

**AUTHOR:** Director Corporate and Planning Services – Paul Crapper

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

**SUMMARY:**

In accordance with Council's audit program, a review has been carried out of the adequacy of various processes that have been put in place within Council, to manage and control contracts.

The objectives of the audit were to review the adequacy of the:

1. Alignment of procurement and contract management policies and procedures.
2. Qualitative and quantitative performance measures that have been put in place to enable the contract manager to monitor and measure service delivery.
3. Performance review processes.
4. Compliance with commercial contract conditions.
5. Management of contract variations.
6. Exiting internal control processes for the:
  - identification and requisition of works for completion; and
  - Confirmation of the satisfactory completion of works.

Upon commencement of the audit management requested that Crowe Horwath further expanded the audit review, with respect to the Management and Operation of the Darebin Resource Recovery Centre (DRRC) contract, to include the adequacy of the:

- gatehouse cash handling;
- OHS Management; and
- operational compliance with contract requirements, including service levels, improvements and maintenance management

Overall, Crowe Horwath found that the current controls in place over the contract management processes maintained by Council are inadequate. The audit identified a range of controls that should be implemented in order to reduce the identified weaknesses and exposures.

Recent changes to the Procurement Unit that include a centralised support and 'account manager' approach will assist procurement and contract management in individual directorates thus providing Council with greater oversight and control over contract management activities. The report notes five issues of a higher risk nature. These issues relate to the Darebin Resource and Recycle Centre Contract.

**CONSULTATION:**

Director Corporate and Planning Services  
Acting Director Works Leisure and Culture  
Manager Governance and Corporate Performance  
Coordinator Procurement and Contract Management  
Coordinator Operational Projects and Fleet

**RECOMMENDATION**

**THAT** the attached report titled 'Contract Management Review' prepared by the internal auditors, Crowe Horwath, be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Terry Richards

**SECONDED:** Cr Steven Tsitas

**THAT** the attached report titled 'Contract Management Review' prepared by the internal auditors, Crowe Horwath, be received and noted.

**CARRIED**



## 19. INTERNAL AUDIT REPORT – HOME AND COMMUNITY CARE

**AUTHOR:** Director Corporate and Planning Services – Paul Crapper

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

### SUMMARY:

In accordance with Council's annual audit plan, a review was completed of the adequacy of processes and procedures surrounding in-home HACC Services.

Specifically the audit focussed on the following services:

- home care;
- personal care;
- respite care; and
- property maintenance.

The objectives of the audit were to:

1. Identify and assess the adequacy of policies and procedures regarding the functioning of HACC Services.
2. Review the process of assessment of client eligibility and needs and the allocation of in home services to be provided, including:
  - waiting lists;
  - means/family assistance testing; and
  - care needs identification and re-assessment.
3. Review the process for allocating, training and monitoring the adequacy of service by carers.
4. Review the use and control of the main IT system (e.g. Sharikat Khoo) for monitoring, scheduling and recording client, staff and service information related to homecare.
5. Review the charging of fees, collection of fees and handling of outstanding debtors.
6. Review financial and performance reporting to the Department of Health.
7. Review management reporting, such as:
  - KPI's and the provision of service;
  - outstanding debtors; and
  - reporting of daily operations and incidences.

Overall, Crowe Horwath found that the current controls in place over the Home and Community Care maintained by Council are adequate but need strengthening. The audit identified a range of controls that should be implemented in order to reduce the identified weaknesses and exposures.

**CONSULTATION:**

Director Corporate and Planning Services  
Director Community Development  
Manager Aged and Disability

**RECOMMENDATION**

**THAT** the attached report titled 'Home and Community Care Review' prepared by the internal auditors, Crowe Horwath, be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED:** Cr Tim Laurence  
**SECONDED:** Cr Steven Tsitas

**THAT** the attached report titled 'Home and Community Care Review' prepared by the internal auditors, Crowe Horwath, be received and noted.

**CARRIED**

## 20. INTERNAL AUDIT REPORT – CORE FUNCTIONS YEAR 3

**AUTHOR:** Director Corporate and Planning Services – Paul Crapper

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

### **SUMMARY:**

In accordance with the annual audit program, a review was undertaken of the adequacy of the various processes and procedures that have been put in place within the Finance Department to manage and control the following functions:

- Accounts Receivable – sundry debtors;
- Procurement; and
- Corporate Cards.

The objectives of the audit were:

#### **A Accounts Receivable – sundry debtors**

Reviewed the adequacy of the:

1. Policies and procedures
2. Controls in place to ensure that all debtors are identified and that the billing cycle is regular and appropriate
3. Processes for the regular review and follow-up of overdue accounts and that all overdue amounts are followed up on a timely basis
4. Timely reconciliation of the debtors subsidiary ledger and that the reconciliation procedures relating to direct credit facilities are operating effectively
5. Controls over the debtors master file to ensure the currency, completeness and accuracy of the recorded details
6. Council's follow-up and collection of Councillor personal expense reimbursements and Staff personal mobile telephone cost reimbursements

#### **B Procurement**

For purchases below Council's tender threshold, reviewed the adequacy of the:

7. Overall control environment, including:
  - roles and responsibilities
  - policies and procedures
  - review and delegations

8. Processes for the establishment and authentication of vendors
9. Processes related to purchase orders and purchases without orders, including:
  - quotation processes
  - authorisations
  - monitoring and tracking by Finance/management
  - commitments
  - timeliness of documentation and purchase orders
10. Invoices and payment authorisation processes, including:
  - review processes
  - accuracy and approvals
11. Controls in place surrounding the IT purchasing system
12. Processes for segregation of duties
13. Centralised procurement and contract management functions, policies and procedures implemented at Darebin CC from 1 August 2014

This review did not include petty cash, staff reimbursements or accounts payable processes.

## **C Corporate Cards**

Reviewed the adequacy of the:

14. Policies and procedures
15. The compliance with policies and procedures and appropriate industry practices and processes, including:
  - maximum monthly and total limits
  - process for monitoring appropriateness of usage
  - card holders do not exceed limits for cards
  - adequate review and authorisation
  - delegated levels of authority
  - documentation is provided to support purchases
  - management reporting is maintained

16. Undertook sample testing on expenditure of cardholders during the year including supporting documentation, reconciliation and review and authorisation processes.

17. Controls effectiveness and compliance associated with the introduction of new corporate cards at Bundoora Homestead and Yanada House

Overall, Crowe Horwath found that the current controls in place require strengthening. The internal audit identified a range of controls that should be implemented and improved in order to reduce the identified weaknesses and exposures.

### **CONSULTATION:**

Director Corporate and Planning Services

Chief Financial Officer

Manager Governance and Performance

Financial Accountant

Coordinator Procurement and Contract Management

### **RECOMMENDATION**

**THAT** the attached report titled 'Core Functions Year 3 Review' prepared by the internal auditors, Crowe Horwath, be received and noted.

### **COMMITTEE RECOMMENDATION**

**THAT** the attached report titled 'Core Functions Year 3 Review' prepared by the internal auditors, Crowe Horwath, be received and noted.

**MOVED:** Cr Steven Tsitas

**SECONDED:**

## 21. INTERNAL AUDIT REPORT – COUNCILLOR EXPENSES

**AUTHOR:** Director Corporate and Planning Services – Paul Crapper

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

### SUMMARY:

In accordance with the annual audit program, a review was undertaken of the adequacy of the various processes and procedures that have been put in place in managing claims for expenditure by Councillors.

Section 75 of the Local Government Act 1989, empowers Council to reimburse Councillors for “...*necessary out of pocket expenses incurred while performing duties as a Councillor*”

The objectives of the audit were to review the adequacy of:

- The procedures adopted by Council to ensure the completeness and accuracy of the records maintained and the claims lodged by Councillors;
- The processes for ensuring expenditure payments have been authorised under relevant Council policies, procedures and delegations
- The processes in allocating/recording the expenditure against the relevant Councillor, including the implementation of the measures identified in the Minister for Local Government’s letter of 17 September 2013, regarding the 10 points of action or process implementation for Darebin City Council.
- The implementation of the new measures identified in the letter from the Minister for Local Government dated 13 January 2014 and titled, *Government appoints monitor for Darebin Council*.
- Expenses incurred on behalf of Councillors (as a whole) – such as training, technology that they are provided (iPads) or other items such as team bonding exercises, etc.; and
- Expenses incurred for a specific councillor – such as stationary, child care, access to Council services, memberships, etc.

Overall, Crowe Horwath found that the current controls in place over Councillor’s expenses maintained by Council are adequate. The audit identified a range of controls that should be improved in order to reduce the identified weaknesses and exposures.

### CONSULTATION:

Director Corporate and Planning Services  
Manager Governance and Performance

**RECOMMENDATION**

**THAT** the attached report titled 'Councillor's Expenses' prepared by the internal auditors, Crowe Horwath, be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED: Mr Terry Richards**

**SECONDED: Mr Mike Said**

**THAT** the attached report titled 'Councillor's Expenses' prepared by the internal auditors, Crowe Horwath, be received and noted.

**CARRIED**

**22. INTERNAL AUDIT REPORT – MEMORANDUMS OF AUDIT PLANNING**

**AUTHOR:** Director Corporate and Planning Services – Paul Crapper

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

**SUMMARY:**

At its meeting on 3 March 2014, the Audit Committee expressed an interest in viewing Memorandums of Audit Planning (MAPs) for upcoming internal audits.

Attached the MAPs for all upcoming internal audits as received, reviewed and approved to date since the last Audit Committee

**CONSULTATION:**

Director Corporate and Planning Services  
Senior Council Officers  
Crowe Horwath

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| <b>RECOMMENDATION</b> |
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**THAT** the Audit Committee receive and note the Memorandums of Audit Planning attached.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:** Mr Terry Richards

**SECONDED:** Mr Mike Said

**THAT** the Audit Committee receive and note the Memorandums of Audit Planning attached.

**CARRIED**



**23. INTERNAL AUDIT REPORT – INTERNAL AUDIT PROGRESS REPORT****AUTHOR:** Director Corporate and Planning Services – Paul Crapper**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

The Internal Auditors, Crowe Horwath, have provided a report to update the Audit Committee on Council's internal audit activity since its last meeting on 24 November 2014.

**CONSULTATION:**

Director Corporate and Planning Services  
Senior Council Officers

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| <b>RECOMMENDATION</b> |
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**THAT** the attached '*Internal Audit Progress Report*' be received and noted.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:** Mr Terry Richards

**SECONDED:** Cr Steven Tsitas

**THAT** the attached '*Internal Audit Progress Report*' be received and noted.

**CARRIED**

## 24. OUTSTANDING AUDIT ACTIONS

**AUTHOR:** Director Corporate and Planning Services – Paul Crapper

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

### SUMMARY:

A report has been prepared to update the Audit 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 held on 24 November 2014.

You will note that Management continue to make considerable progress closing off outstanding audit actions reported at the 25 August 2014 Audit Committee meeting with 86 open items as at 25 August 2014 reduced to 38 by 24 November 2014 (a reduction of 48 or 56%) and a subsequent reduction to **xx** by 2 March 2015 (a reduction of **xx** or **xx%**). The items listed in red in the summary are still “in progress” or “not started”.

The reduction has been achieved by Management focusing on the “intent” of the audit recommendation (as confirmed by the Director Corporate and Planning Services with the Partner Crowe Horwath). The reduction has been reviewed by Crowe Horwath who has indicated their support for the approach taken by Management to address the outstanding audit actions.

### CONSULTATION:

Executive Management Team  
Senior Council Officers  
Crowe Horwath – Internal Auditors

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| <b>RECOMMENDATION</b> |
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**THAT** the report titled ‘*Outstanding Audit Actions Status Report*’ be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED: Cr Tim Laurence**

**SECONDED: Cr Steven Tsitas**

- (1) **THAT** the Audit Committee receive and note the report titled '*Outstanding Audit Actions Status Report*'.
- (2) **THAT** Officer's improve the clarity of the reporting and management of outstanding audit actions.
- (3) **THAT** all completed audit actions **in the period since last report** be clearly identified in the report to the Audit Committee.

**CARRIED**

## 25. PROCUREMENT SECTION 186 REPORT

**AUTHOR:** Coordinator Procurement and Contracting – Lauren Close

**REVIEWED BY:** Manager Corporate Governance and Performance – Jacinta Stevens

### SUMMARY:

Section 186 '*Restriction on power to enter into contracts*' of the *Local Government Act 1989* covers Council's obligations when entering into contracts.

This report seeks to inform the Audit Committee of goods and services or works that have not partially or fully complied with the requirements specified under the Local Government Act or Council's Procurement Policy.

### CONSULTATION:

Chief Executive  
Executive Management Team

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| <b>RECOMMENDATION</b> |
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**THAT** the Audit Committee note:

- (1) The section 186 report from October 2013 to 31 July 2014 attached at **Appendix A** to this report be received and noted.
- (2) The section 186 report from 1 August 2014 attached at **Appendix B** to this report be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED:** Cr Tim Laurence

**SECONDED:** Cr Steven Tsitas

**THAT** the Audit Committee note:

- (1) The section 186 report from October 2013 to 31 July 2014 attached at **Appendix A** to this report be received and noted.
- (2) The section 186 report from 1 August 2014 attached at **Appendix B** to this report be received and noted.

**CARRIED**

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**26. LOCAL GOVERNMENT PERFORMANCE FRAMEWORK  
IMPLEMENTATION REPORT**

**AUTHOR:**                **Manager Corporate Governance and Performance –  
Jacinta Stevens**

**DIRECTOR:**            **Chief Executive – Rasiah Dev**

**SUMMARY:**

This report provides updates on the implementation of the Local Government Performance Framework.

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| <b>RECOMMENDATION</b> |
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**THAT** the Audit Committee:

- (1) Receive and note the contents of this report.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:**            **Cr Steven Tsitas**

**SECONDED:**    **Cr Tim Laurence**

**THAT:**

- (1) The Audit Committee receive and note the contents of this report.
- (2) A report on the 31 auditable performance indicators to come to the Audit Committee on 1 June 2015.

**CARRIED**

**27. GOVERNANCE, RISK & CORPORATE PERFORMANCE  
COMMITTEE MINUTES**

**AUTHOR:** Director Corporate and Planning Services – Paul  
Crapper

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

**SUMMARY:**

At its meeting on 24 November 2014, the Audit Committee expressed interest in the minutes of Council's Governance, Risk and Performance Committee be tabled at the Audit Committee so that the Audit Committee can understand the risk management process to ensure there is a vibrant risk management system happening at a high level.

**CONSULTATION:**

Governance, Risk and Performance Committee  
Corporate Risk

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| <b>RECOMMENDATION</b> |
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**THAT** this report outlining the minutes of the Governance, Risk and Performance Committee for 2015 to date be received and noted.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:** Cr Steven Tsitas

**SECONDED:** Mr Terry Richards

**THAT** this report outlining the minutes of the Governance, Risk and Performance Committee for 2015 to date be received and noted.

**CARRIED**

**28. AUDIT COMMITTEE ANNUAL WORK PLAN 2015**

**AUTHOR:** Director Corporate and Planning Services – Paul Crapper

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

**SUMMARY:**

At its meeting in March 2014, the Audit Committee expressed interest in an Annual Work Plan.

The Annual Work Plan 2015 reflects reports to be tabled at the March, June, August, September and November 2015 meetings cross referenced to the Audit Committee's Duties and Responsibilities under its Charter.

**CONSULTATION:**

Audit Committee

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| <b>RECOMMENDATION</b> |
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**THAT** this report outlining the reports to be tabled at the 5 Audit Committee meetings in 2015 be received and noted.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:**

**SECONDED:**

**THAT** this report outlining the reports to be tabled at the 5 Audit Committee meetings in 2015 be received and noted.



**29. SURVEY OF AUDIT COMMITTEE PRACTICES**

**AUTHOR:** Director Corporate and Planning Services – Paul Crapper

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

**SUMMARY:**

The attached report (**Appendix A**) presents a summary of survey responses by 6 Local Government Authorities on the practices of the Audit Committee. The report is tabled for the Committee's information in the interest of best practice.

**CONSULTATION:**

6 Local Government Authorities

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| <b>RECOMMENDATION</b> |
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**THAT** the responses to the survey (**Appendix A**) be received and noted.

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| <b>COMMITTEE RECOMMENDATION</b> |
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**MOVED:**

**SECONDED:**

**THAT** the responses to the survey (**Appendix A**) be received and noted.

### **30. OTHER BUSINESS**

No other business to report.

### **31. NEXT MEETING**

The next meeting of the Audit Committee will take place on Monday, 1 June 2015 at 2:30 pm in the Conference Room, 350 High Street, Preston.

### **32. IN CAMERA DISCUSSION**

In accordance with the Audit Committee Charter, Item 6, Part 5(f) and Part 6(b), an opportunity is provided for the Audit Committee to meet with the internal auditor and external auditor to discuss any matters that the Audit Committee or the internal auditor and/or external auditor believe should be discussed privately. Management will be required to leave the meeting during discussion of this item.

Mr Dev, Ms White, Ms Jordan, Mr O’Riordan, Mr Loughnan and Mr Gavens left the meeting at 5:07 pm.

#### **32.1 PROVISION OF INTERNAL AUDIT SERVICES**

In camera discussion was held on the Provision of Internal Audit Services. Councillor Tsitas, Councillor Laurence, Mr Said, Mr Richards, Mr Lewinsky and Ms Nitchov were in attendance.

### **33. CLOSE OF MEETING**

THE MEETING CONCLUDED AT 5:20 PM