



SUMMARY REPORT AUDIT COMMITTEE MEETING

HELD ON

1 JUNE 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 1 JUNE 2015**

THE MEETING OPENED AT 2.31 PM

1. PRESENT

Members:

Mr Michael Said – Chairperson
Dr Bruce Carroll – Deputy Chairperson
Mr Terry Richards – Independent External Member
Cr Tim Laurence – Committee Member

Internal Auditor:

Mr Martin Thompson – Crowe Horwath

External Auditors:

Mr Tim Loughnan – Victorian Auditor General's Office
Mr Remy Szpak – Victorian Auditor General's Office

Officers:

Mr Rasiah Dev – Chief Executive
Ms Tiffany White – Acting Director Corporate Services
Mr Steve Hamilton – Director Assets and Business Services
Mr Michael O'Riordan – Financial Accountant
Ms Lauren Close – Acting Manager Corporate Governance and Performance
Mr Jim Barrett – Coordinator Performance Support

Observer:

Mr Peter Lewinsky - Monitor

Minutes:

Ms Melanie Nitchov

2. APOLOGIES

Cr Steven Tsitas (Mayor) – Committee Member

Ms Jacinta Stevens – Manager Corporate Governance and Performance

3. DISCLOSURE OF CONFLICT OF INTEREST

Audit Committee members are required to disclose any conflicts of interest on any matters listed on the Agenda.

No disclosures were made.

4. 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

5. CONFIRMATION OF PREVIOUS MEETING MINUTES

At its meeting on Monday 2 March 2015, the Audit Committee omitted to move and/or second three items. The Chairperson asked that these items be confirmed.

Item 20 – Internal Audit Report Core Functions Year 3

MOVED: Cr Steven Tsitas

SECONDED: Mr Mike Said

CARRIED

Item 28 – Audit Committee Annual Work Plan 2015

MOVED: Cr Tim Laurence

SECONDED: Mr Terry Richards

CARRIED

Item 29 – Survey of Audit Committee Practices

MOVED: Mr Terry Richards

SECONDED: Cr Tim Laurence

CARRIED

COMMITTEE RECOMMENDATION

MOVED: Cr Tim Laurence

SECONDED: Mr Terry Richards

THAT the minutes of the Audit Committee Meeting held on Monday 2 March 2015 be confirmed.

CARRIED

6. MATTERS ARISING FROM PREVIOUS MEETING/S

- Terms of reference for the BCP Committee to be brought to the next Audit Committee Meeting on 1 June – Refer Item 19
- Officers to revisit the policy for management of reporting Outstanding Audit Actions to the Audit Committee – improvements to the report have been implemented
- Officers improve the clarity of the reporting and management of outstanding audit actions – Refer item 25
- That all outstanding actions in the period since the last report be clearly identified in the report to the Audit Committee – Refer Item 25
- Page numbers be included on future Section 186 reports brought to the Audit Committee – Refer item 28
- The completion date on Appendix A of the Section 186 report be changed from 2014 to 2015
- Any non-compliance with Council Procurement Policy be incorporated into the CEO's Declaration of Legal Compliance – to be done as required
- Risk Manager to investigate whether there is a requirement to report strategic risks to Council every six months – an attestation on risk management is required in the annual report and Council receives quarterly high level briefings on risk management.
- A report on the 31 auditable indicators to come to the Audit Committee on 1 June 2015 – Refer Item 16
- Terms of reference for the Governance, Risk and Corporate Performance Committee and Minutes of their next meeting to be brought to the Audit Committee in June – Refer Item 20

The abovementioned matters were raised by the Audit Committee at its previous meeting in March 2015.

COMMITTEE RECOMMENDATION

MOVED: Mr Terry Richards

SECONDED: Cr Tim Laurence

THAT the Matters Arising from previous minutes of the Audit Committee Meeting held on Monday 2 March 2015 be noted.

CARRIED

7. AUDIT COMMITTEE WORK PLAN 2015

AUTHOR: Director Corporate and Planning Services

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 October 2015 meetings cross referenced to the Audit Committee's Duties and Responsibilities under its Charter.

CONSULTATION:

Audit Committee

RECOMMENDATION

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

COMMITTEE RECOMMENDATION

MOVED: Dr Bruce Carroll

SECONDED: Mr Terry Richards

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

CARRIED

8. DECLARATION OF LEGAL COMPLIANCE BY CEO

The CEO confirms that Council is legally compliant in its operations. This is reported via the quarterly Director's Questionnaire, which requires all Directors to attest to the legal compliance of their Directorate's activities and to report any known instances of fraud, misappropriation or pending litigation. The questionnaire requires Directors to confirm full compliance with contractual agreements. All issues are disclosed via the questionnaire and a summary report is provided to the CEO. The April Director's Questionnaire reports no issues.

The most up to date Non Conformance Report notes four instances of non-compliance with Council Procurement process. All have been addressed.

COMMITTEE RECOMMENDATION

MOVED: Cr Tim Laurence

SECONDED: Dr Bruce Carroll

THAT:

- 1) The Audit Committee receive the Declaration of Legal Compliance by the CEO.
- 2) The Audit Committee note the Non-Conformance Report at Item 28.

CARRIED

9. CEO REPORT

The Chief Executive, Mr Dev, briefed the Audit Committee on recent important developments in the City of Darebin outlined in his report which was distributed at the commencement of the meeting by Ms Nitchov. A copy of the weekly bulletin and project update to Councillors dated 29 May 2015 and a letter to All Darebin Councillors from the CEO dated 27 May 2015 about Council Dissent was also distributed to members.

Council Budget

Council approved the draft budget for public consultation in May. It is currently on exhibition with submissions closing on 9 June. Hearing of Submissions will take place on 11 June.

Headline items in the budget for 2015/16 include significant funding for beautification of the city, traffic and transport, asset renewal and a women's sports/high ball facility that will encourage women's participation in sport.

The budget is on target for adoption on June 22.

Rate Capping – Essential Services Commission (ESC) consultation paper

The Essential Services Commission released its consultation paper on April 17 with submissions due on 15 May. While the exact parameters are not yet known, the introduction of rate capping in future budget years will have a significant impact on our Strategic Resource Plan and Long Term Financial Plan. Council made a submission to the ESC which can be viewed on their website.

The VLGA has written to councils inviting discussion on a framework they have developed for rate capping which can be viewed on the VLGA website.

Chief Financial Officer

Allan Cochrane has been appointed as Council's new CFO. Allan has 25 years of experience in senior finance positions across a range of sectors including Oil and Gas, Law, Finance and Local Government.

In previous roles, and particularly in his current role as Resources General Manager for the Campaspe Shire Council, Allan has gained executive management experience with responsibility for finance, governance, information and communication technology, HR, risk management, insurance, compliance, legal services, contract management, procurement and audit as well as providing strategic direction.

In his time at Campaspe Allan has overseen the development, consultation and adoption of the Council budgets for the 2011/12, 2012/13, 2013/14, and 2014/15 financial years and the development of the 2015/16 Council budget in the context of a 15 year long term financial plan. He has also led the development, community consultation and implementation of a new rating strategy.

Allan will join Darebin on 22 June 2015.

Director roles

Two Director roles are currently vacant: Director Corporate Services and Director Culture, Leisure and Works. Recruitment for these executive roles has commenced and I expect appointments to be made by the end of July. The roles are currently filled by Acting Directors Tiffany White and Sally Jones respectively. Both positions were advertised last Saturday in the Age Newspaper on page 3.

Council dissent

Council has been the subject of ongoing media attention due to dissent among a minority of councillors, who have walked out of recent Council meetings. I have written to all Councillors on this matter and provided copies to the Audit Committee Chair, External Governance Committee Chair, Minister for Local Government and various MPs. The letter is attached to this report for the Committee's information. I have also written to Councillors via the weekly Councillor E-Bulletin, reminding them of the consequences of their dissent regarding Council's ability to make timely planning decisions.

Letter to the Mayor from the Minister for Local Government

The Minister for Local Government has written to the Mayor (April 30) about a number of issues raised by the Monitor in his report to the Minister. The letter was distributed confidentially to Councillors by the Mayor, however it was leaked to media and has been the subject of subsequent news items. The letter, and Council's response, was the subject of a special meeting of Council on 28 May 2015. Council resolved at the meeting to consider the item in camera.

The Mayor has responded via letter to the Minister's concerns and I expect Council will receive further correspondence from her in coming weeks. I will table the relevant correspondence at the next Audit Committee meeting, however should there be any significant developments before then I will undertake to inform the Committee via the Chair.

Government Briefing

Council hosted its annual Government Briefing on April 9, providing an opportunity for local state and federal members of parliament to discuss opportunities for future co-funded projects. The event took place at the Darebin North East Community Hub in Bundoora and was well attended with representation by our Federal member of parliament and six State government representatives. There was a healthy interest in Darebin's priorities, with particular topics of interest including supporting women's participation in sport and the proposed Rail Grade Crossing Separation at Reservoir Junction and Bell Street.

COMMITTEE RECOMMENDATION

MOVED: Mr Terry Richards

SECONDED: Cr Tim Laurence

THAT the CEO's report be noted.

CARRIED

10. COUNCILLOR SUPPORT AND EXPENSES REPORT

AUTHOR: Manager Corporate Governance and Performance – Jacinta Stevens

MANAGER: Chief Executive – Rasiah Dev

SUMMARY:

This report provides the summary of expenses and reimbursements made by Councillors for the period 1 January 2015 to 30 April 2015.

RECOMMENDATION

THAT the Audit Committee:

- (1) Receive and note the Summary of Councillor expenses and reimbursements attached as **Appendix A** for the period 1 January 2015 to 31 March 2015, and previous reports for the period 1 January 2013 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 January to April 2015.

REPORT

INTRODUCTION AND BACKGROUND

Council must ensure that appropriate support is provided so Councillors can effectively carry out their duties. This support includes the provision and maintenance of equipment and means of communication such as internet access and telephone calls. Such support is paid for directly by Council, with budget provision made for these expenses. Additionally, Councillors may incur costs and then seek reimbursement from Council for items such as travel or attendance at conferences or functions in an official capacity.

Section 75B of the *Local Government Act* 1989 (the Act) requires a Council to adopt and maintain a policy in relation to the reimbursement of expenses for Councillors and members of Council Committees.

The *Councillor Support and Expenses Policy 2013* (the Policy) provides that a report on Councillor expenses by category will be prepared, circulated to all Councillors and submitted to each (quarterly) meeting of Council's Audit Committee.

ISSUES AND DISCUSSION

Policy Framework

The Policy provides clarity regarding the resources, facilities and support to be provided to Councillors and the entitlements for Councillors to have out-of-pocket expenses incurred while performing their duties as a Councillor either reimbursed or paid directly by the Council.

Reimbursements are provided in line with the provisions of the Act, that is, when they are requested in writing and are established as reasonable and bona fide out-of-pocket expenses incurred while performing duties as a Councillor. Guidance as to the interpretation of 'Duties as a Councillor' is included in the policy.

Expenses

The Quarterly Summary of Councillor Expenses for the period 1 January 2015 to 30 April 2015 includes expenses relate to travel, training, conferences and telephone and internet services. Where a Councillor has reimbursed costs to Council for personal use of telephones this is also captured in the schedule.

Requests for reimbursement are accompanied by tax invoices. Where possible, attendance at training and conferences are paid directly by Council through electronic funds transfer or use of the corporate credit card. Payments are made in line with purchasing policy and guidelines.

Information about telephone and internet expenses is made available to Councillors monthly in the form of the itemised account. Councillors are reminded to identify and reimburse Council for personal use if applicable.

It should be noted that at the Ordinary Meeting of Council of 21 October 2013, Council resolved that effective 1 November 2013 Councillor expenses and reimbursements are to be listed on Council's website to promote transparency. Further, at the same meeting of Council it was resolved that expenses and reimbursements for the current financial year would be reported in Council's annual report.

Reporting

The *Councillor Support and Expenses Policy 2013* provides that a report on Councillor expenses by category will be prepared and submitted to each (quarterly) meeting of Council's Audit Committee.

The report presents the overall expenditure for Darebin's nine Councillors, divided into a number of expense categories. To assist in interpretation, the report presents data for the most recent quarter and the three previous quarters.

At the Council meeting of 5 November 2014 Council resolved to amend the Councillor Support and Expense policy to allow Councillors to submit declarations electronically as well as in hard copy. It should be noted to comply fully with the Minister's request the declarations in whatever form they are submitted must be signed by the individual Councillor.

To enhance transparency in relation to reimbursements associated with telephone and cab charge expenses it is proposed to publicly advertise on Council's web site the declaration due dates received (as per tables 1 and 2 below). This information will be published quarterly on the website within one week of reporting the information to Council's Audit Committee.

In addition to the above any outstanding monies owed to Council for non-Council related calls or taxi trips will be made available on Council's website.

Councillor Mobile Phone Declarations

On 16 December 2013, Council adopted an updated version of the Councillor Support and Expenses Policy 2013 to incorporate the Councillors Mobile Phone Policy and Procedures. As part of the policy all Councillors, within 14 days upon receipt of their monthly phone bill, are to sign a declaration stating the value, even if \$0, of non-Council related calls made from their Council issued phones. The declaration is then submitted to Council's Governance unit for processing and arranging the receipt of any monies reimbursed.

Council Officer Communication Equipment

The new officer's communication and equipment policy has recently been through the Consultative Committee to ensure the new policy is in line with the recent Enterprise Agreement.

During the week commencing 12 May 2014, each officer that has a Council issued mobile phone were sent a letter from the Organisational Development unit advising what the new process is in relation to their mobile phone usage and monthly bills. Officers have been requested to sign a declaration acknowledging they understand the new processes.

The new process came into effect on 1 June 2014. Since then all officers who are issued with a Council mobile phone have received individual bills for the months of June and July 2014. Attached at **Appendix B** is list of each officer, by directorate, and their total bill amount for the months of October to December. An additional column has also been included to show what reimbursements have been made to Council for non-council related business. On a monthly basis the Finance team will run a report on reimbursements made by officers which will be included in the attached spread sheet.

Table 1 below outlines the telephone declarations due date and the actual date the declaration was received by the Governance unit from each Councillor.

COUNCILLORS DECLARATION OF PERSONAL CALLS 2015

Invoice Period	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Declarations Due Date	26 Feb 14	26 Mar 14	22 Apr 14	20 May 14								
Cr. Greco	26-Feb-15	26-Mar-15	16-Apr-15	12-May-15								
Cr. Fontana	15-Feb-15	16-Mar-15	09-Mar-15									
Cr. Laurence	15-May-15	15-May-15	14-Apr-15	15-May-15								
Cr. Li	15-Feb-15	19-Mar-15	08-Apr-15	11-May-15								
Cr. McCarthy	25-Feb-15	26-Mar-15		12-May-15								
Cr. Tsitas	12-Feb-15	15-May-15	15-May-15	15-May-15								
Cr. Villella	18-Feb-15	26-Mar-15										
Cr. Walsh			15-May-15	15-May-15								
Cr. Williams	18-Feb-15	24-Mar-15	22-Apr-15									

Councillor sent account for Month and Declaration due

Table 2 below outlines the Cab Charge usage declarations due date and the actual date the declaration was received by the Governance unit from each Councillor.

COUNCILLORS DECLARATION OF CAB CHARGE USAGE 2015

Invoice Period	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Declarations Due Date	02-Feb-15	01-Mar-15	29-Apr-15	21-May-15								
Cr. Laurence	N/C	N/C		15-May-15								
Cr. Li	N/C		17-Apr-15	11-May-15								
Cr. Tsitas												
Cr. Walsh	07-Apr-15	24-Mar-15	11-May-15	15-May-15								
Cr. Williams	N/C	N/C										

Councillor sent account for Month and Declaration due

N/C – Nil Cab Charge expenses incurred for the month

NOTE: Cr Greco, Fontana, McCarthy, and Villella did not incur any Cab Charge expenses during 2015.

POLICY IMPLICATIONS

Environmental Sustainability

Nil

Social Inclusion and Diversity

Nil

Other

This report is provided in accordance with the *Councillor Support and Expenses Policy 2013* and the *Communication and Equipment Policy 2014*.

FINANCIAL AND RESOURCE IMPLICATIONS

Expenditure and reimbursements fall within the existing operating budget.

FUTURE ACTIONS

Quarterly reports of Councillor Expenses will be provided to the Audit Committee

Each councillor will receive a copy of their expenses for the quarter

Quarterly expenses and reimbursements will be published on the Darebin website

DISCLOSURE OF INTERESTS

Section 80C of the *Local Government Act 1989* requires members of Council staff and persons engaged under contract to provide advice to Council to disclose any direct or indirect interest in a matter to which the advice relates.

The Director authorising this report, having made enquiries with relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

RELATED DOCUMENTS

Councillor Support and Expenses Policy 2013

Communication and Equipment Policy 2014

Summary of Councillor Expenses and reimbursements (**Appendix A**)

Summary of Officers mobile charges and reimbursements (**Appendix B**)

COMMITTEE RECOMMENDATION MADE IN CONFIDENCE

11. GIFTS AND HOSPITALITY REPORT

AUTHOR: Manager Corporate Governance and Performance – Jacinta Stevens

MANAGER: Chief Executive – Rasiah Dev

SUMMARY:

This report provides the quarterly summary on gifts and hospitality declared by Councillors and Officers for the period 1 November 2014 to 30 April 2015. In addition it also reports on the cumulative value of gifts and hospitality for Councillors and officers.

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 July 2014 to 30 April 2015.
- (2) Receive and note the Summary of Officers gifts and hospitality, attached to this report as **Appendix B** respectively, declared for the period 1 November 2014 to 30 April 2015.
- (3) Note the cumulative summaries of gifts and / or hospitality received by Councillors and Council officers attached as **Appendix C**.

REPORT

INTRODUCTION AND BACKGROUND

Darebin City Council is committed to being open and transparent in its operations to minimise the risk of being placed in a compromising position that may have an adverse effect on its public endeavours and the promotion of trust within the community.

In accordance with the provisions of the *Local Government Act* 1989, Councillors and officers have an obligation to act impartially and with integrity including avoiding conflicts of interest. This is particularly important in the context of receiving gifts or benefits from another person or organisation.

ISSUES AND DISCUSSION

The City of Darebin *Gifts and Hospitality Policy* has been developed to provide direction to Councillors and staff regarding their obligations in receiving gifts or benefits.

Further, section 10 of the *Councillor Code of Conduct* and section 5.3 of the *Excellence in Governance - Employee Code of Conduct* also outline these obligations, including the requirement to complete the 'Councillor Gifts Registration Form' and 'Staff Gifts Registration Form' upon receipt of any gifts and/or hospitality.

Council maintains the 'Councillor Gifts and Hospitality Register' and 'Staff Gifts and Hospitality Register' to record the acceptance (or otherwise) of gifts made to Councillors and staff. Copies of the Councillor and Staff registers are attached as **Appendix A** and **Appendix B** respectively to this report.

The cumulative summaries **Appendix C** only show those Councillors and Council officers who have received a gift and / or hospitality from the same organisation or person. It should be noted that two Council officers have exceeded the threshold of \$500 for gifts and / or hospitality from the same organisation or person and have been advised accordingly.

POLICY IMPLICATIONS

Environmental Sustainability

Nil

Social Inclusion and Diversity

Nil

Other

Nil

FINANCIAL AND RESOURCE IMPLICATIONS

Nil

FUTURE ACTIONS

Quarterly reports of Councillor and staff gifts and hospitality will be provided to the Audit Committee.

DISCLOSURE OF INTERESTS

Section 80C of the *Local Government Act 1989* requires members of Council staff and persons engaged under contract to provide advice to Council to disclose any direct or indirect interest in a matter to which the advice relates.

The Director authorising this report, having made enquiries with relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

RELATED DOCUMENTS

Councillor Gifts and Hospitality Register 1 July to 30 April 2015 (**Appendix A**)

Staff Gifts and Hospitality Register 1 July to 30 April 2015 (**Appendix B**)

Cumulative summary of Gifts and Hospitality (**Appendix C**)

Gifts and Hospitality Policy

Councillor Code of Conduct 2013

Excellence in Governance - Employee Code of Conduct 2013

Local Government Act 1989

COMMITTEE RECOMMENDATION

MOVED: **Dr Bruce Carroll**

SECONDED: **Mr Terry Richards**

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 July 2014 to 30 April.
- (2) Receive and note the Summary of Officers gifts and hospitality, attached to this report as **Appendix B** respectively, declared for the period 1 November 2014 to 30 April 2015.
- (3) Note the cumulative summaries of gifts and / or hospitality received by Councillors and Council officers attached as **Appendix C**.
- (4) Be provided with a formal report at the next meeting to include only outstanding matters that need attention for probity, volume or scale.

CARRIED

12. FINANCIAL REPORT – 9 MONTHS ENDING 31 MARCH 2015

AUTHOR: Financial Accountant – Michael O’Riordan

REVIEWED BY: Acting Director Corporate Services – Tiffany White

SUMMARY:

A comprehensive 3rd quarter financial review has been undertaken for the nine months ended 31 March 2015 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 \$37.8 million, which is \$5.3 million ahead of budget and capital works expenditure of \$22.0 million, which is \$8.8 million behind the budget.

The forecast actual result for the year ending 30 June 2015 is an operating surplus of \$9.5 million and capital works expenditure of \$39.3 million. The forecast underlying result for the year ending 30 June 2015 is a surplus of \$2.4 million. All material variations have been explained in the report.

All material variations have been explained in the report.

CONSULTATION:

Managers and Co-ordinators.

RECOMMENDATION

THAT the contents of the “Financial Report for the nine months ended 31 March 2015” 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.

REPORT

INTRODUCTION AND BACKGROUND

Under the Local Government Act 1989, at least every three months the Chief Executive Officer is required to present to the Council a statement comparing the budgeted with the actual revenues and expenses for the financial year to date. In complying with the Act, the attached report (Appendix A) compares the actual and budgeted operating revenues and expenses and the actual and budgeted capital revenues and expenses for the nine months ended 31 March 2015. It also compares the actual and budgeted movements in the Balance Sheet and Cash Flow Statement for that period.

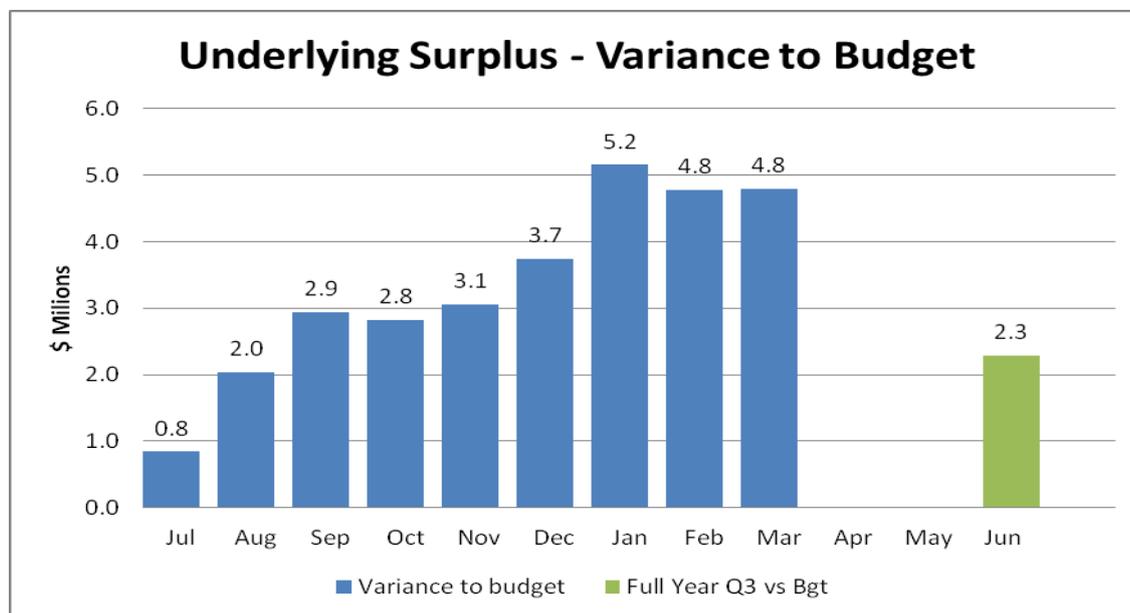
In addition, a detailed review of the estimated financial results for the year ending 30 June 2015 has been performed as part of Council's 3rd quarter review process. The outcomes of this review are included within the report as the forecast financial results.

ISSUES AND DISCUSSION

Operating Performance

For the 9 months ended 31 March 2015 Council has recorded an underlying operating surplus before capital revenue and other items of \$32.7 million, which is \$4.8 million ahead of the year to date budget. After capital and other items, the operating surplus is \$37.8 million, which is \$5.3 million ahead of budget. The main items contributing to this favourable variance are employee costs, maintenance expenditure and other revenue. The forecast Operating result for the year ending 30 June 2015 is an operating surplus of \$9.5 million, which is \$2.7 million more than budget.

The year to date underlying surplus was \$4.8 million ahead of budget. The forecast underlying result for the year ending 30 June 2015 is a surplus of \$2.4 million. The underlying result is the net surplus for the year adjusted for capital grants and contributions and timing differences on grants received and spent.

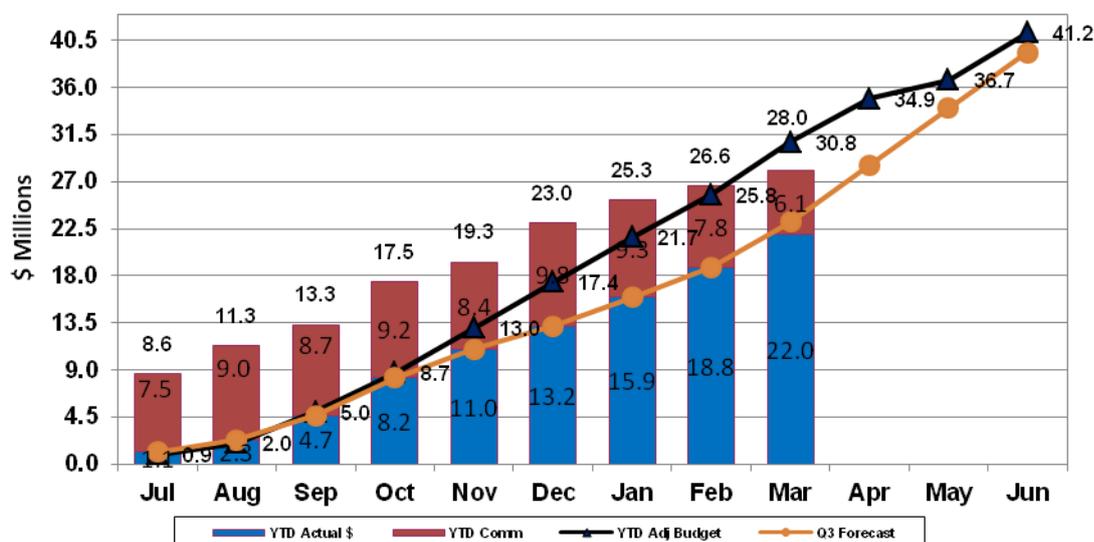


Capital Performance

For the 9 months ended 31 March 2015 Council has expended \$22.0 million on the capital works program, which is \$8.8 million behind the year to date budget. The variance is due mainly to delays with open space, building projects and purchases of plant and equipment. As at 31 March 2015 a further \$6.1 million has been committed by way of issued purchase orders. Commitments are not reflected in the reported capital expenditure and indicate that many projects are well advanced. The forecast total to be expended on capital works for the year ending 30 June 2015 is \$39.3 million, which is \$1.0 million less than the adopted budget. A total of \$3.0 million expenditure is forecast to be carried forward into the 2015/16 year for capital works expected to be incomplete as at 30 June 2015.

	YTD Budget	YTD Actual	Forecast
% of budget expended	75%	53%	95%
% of budget expended and committed	75%	68%	95%

Capital Works Projects - EXPENDITURE



Financial Position

The Financial Position as at 31 March 2015 shows a cash and investment balance of \$44.1 million which is \$17.0 million ahead of budget. The variance is due mainly to timing differences in receipts from customers and payments to suppliers and employees, delays in payment for capital works and a higher opening cash and investment position compared with budget. The cash and investment balance of \$44.1 million was sufficient to meet restricted cash obligations. Restricted cash, the cash Council requires to meet employee entitlements, pay bond deposits and cash held to fund future capital works was \$21.9 million at the end of March. The net current asset position is \$56.1 million which is \$11.1 million more than budget. The net asset position of \$1.21 billion is \$3.2 million more than budget. The forecast Financial Position as at 30 June 2015 shows a cash and investment position of \$37.7 million and net current assets of \$19.6 million.

POLICY IMPLICATIONS

Environmental Sustainability

Nil.

Human Rights, Equity and Inclusion

Nil.

Economic Development

Nil.

Other

Nil.

FINANCIAL AND RESOURCE IMPLICATIONS

Nil

CONCLUSION

The Financial Report for the nine months ended 31 March 2015 shows that Council's year-to-date operating result is a surplus of \$37.8 million and \$22.0 million has been expended on capital works. The forecast actual result for year ending 30 June 2015 is an operating surplus of \$9.5 million and capital works expenditure of \$39.3 million. The forecast underlying result for the year ending 30 June 2015 is a surplus of \$2.4 million.

FUTURE ACTIONS

The audited financial statements for the year ending 30 June 2015 will be presented to Council following the completion of the audit by the Victorian Auditor-General.

DISCLOSURE OF INTERESTS

Section 80C of the Local Government Act 1989 requires members of Council staff and persons engaged under contract to provide advice to Council to disclose any direct or indirect interest in a matter to which the advice relates.

The Officer reviewing this report, having made enquiries with relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

RELATED DOCUMENTS

Nil

COMMITTEE RECOMMENDATION

MOVED: Cr Tim Laurence

SECONDED: Dr Bruce Carroll

THAT the contents of the “Financial Report for the nine months ended 31 March 2015” 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 - MARCH 2015 PERFORMANCE REPORT

AUTHOR: Financial Accountant – Michael O’Riordan

MANAGER: Acting Director Corporate Services – Tiffany White

**BUDGET
IMPLICATIONS:** Nil

SUMMARY:

This report has been prepared to provide the Council with details regarding the progress of the capital works program for the nine months ended 31 March 2015.

Measures were taken to increase the completion rate of the current year capital program. The capital program will be delivered in excess of 95% of budget this year.

CONSULTATION:

EMT

Managers and Coordinators

RECOMMENDATION

THAT this report on the performance Capital Works Program as at 31 March 2015 be received and noted.

REPORT

INTRODUCTION AND BACKGROUND

The 2014/15 Quarter 3 review has now been finalised including analysis of the actual capital works program for the nine months ended 31 March 2015. This briefing paper has been prepared to provide Council with details regarding the progress of the capital works program to date.

FINANCIAL AND RESOURCE IMPLICATIONS

Nil

FUTURE ACTIONS

Strengthening of the review process by the Capital Coordinating Group and EMT and improved project status reporting will continue to ensure the program as a whole stays on target against budget.

A full year performance report on the 2014/15 capital program will be presented to Councillors at a briefing to be arranged later this year.

DISCLOSURE OF INTERESTS

Section 80C of the Local Government Act 1989 requires members of Council staff and persons engaged under contract to provide advice to Council to disclose any direct or indirect interest in a matter to which the advice relates.

The Officer reviewing this report, having made enquiries with relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

COMMITTEE RECOMMENDATION

MOVED: Mr Terry Richards

SECONDED: Cr Tim Laurence

THAT this report on the performance Capital Works Program as at 31 March 2015 be received and noted.

CARRIED

14. OVERVIEW OF PROPOSED 2015/2016 BUDGET

AUTHOR: Interim Chief Financial Officer – Rob Spargo

MANAGER: Acting Director Corporate Services – Tiffany White

SUMMARY:

This report presents the Audit Committee with an overview of the Council's proposed Budget for 2015/16.

CONSULTATION:

Chief Executive

Directors

Managers and Coordinators

RECOMMENDATION

THAT the Audit Committee note the overview of the Council's proposed budget for the 2015/16 year set out in this report.

REPORT

BACKGROUND

Council is required to adopt a Budget for each financial year. However, prior to adopting the Budget in its final form Council is required to place the Proposed Budget on public display inviting submissions, and after considering all submissions the Council can then formally adopt a Budget for the financial year.

On 4 and 7 May 2015 Council considered and resolved upon the proposed budget to be placed on public display.

Attachment A: The Mayor's message and CEO's Summary taken from the Proposed Budget now on public display provides the Audit Committee with a concise overview of the proposed Budget 2016/17 as adopted by Council for public display.

Attachment B: An extract from the Proposed Budget now on public display detailing statutory disclosures for rates and financial statements including the forecast financial position of Council as at 30 June for the years 2015 to 2019.

FUTURE ACTIONS

Council has placed the proposed budget on public display during the period 11 May to 9 June 2015.

During that period community information sessions are to be held on 19 and 21 May 2012.

The closing date for submissions in relation to the Budget is 9 June 2015. Following the hearing of submissions on 11 June 2015 the Council is scheduled to adopt its 2015/16 budget in its final form on 22 June 2015.

DISCLOSURE OF INTERESTS

Section 80C of the Local Government Act 1989 requires members of Council staff and persons engaged under contract to provide advice to Council to disclose any direct or indirect interest in a matter to which the advice relates.

The Officer reviewing this report, having made enquiries with relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

RELATED DOCUMENTS

2015/16 Proposed Budget

Council Plan 2013-2017

2015-2019 Strategic Resource Plan

COMMITTEE RECOMMENDATION

MOVED: Dr Bruce Carroll

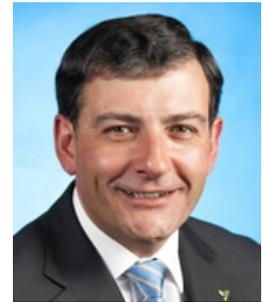
SECONDED: Mr Terry Richards

THAT the Audit Committee note the overview of the Council's proposed budget for the 2015/16 year set out in this report.

CARRIED

Extract from 2015/16 Proposed Budget Placed on Public Display 11 May 2015

Message from the Mayor



My fellow Councillors and I are most pleased to deliver the Proposed Budget for the City of Darebin.

The rate increase in 2015/16 is proposed to be 5 percent, and this is the level foreshadowed in Council's Strategic Resource Plan adopted in the previous years, despite a number of significant budget impacts including a freeze in indexation of the Victoria Grants Commission funding.

Council has raised the Council funded pensioner discount for rates to \$150 for the 2015/16 year.

The Proposed 2015/16 Budget provides the financial resources required to deliver our services, and our extensive capital works program, whilst retaining that critical balance between costs, quality, and value to our ratepayers. Importantly, the Proposed Budget enables the City to continue to deliver all our existing services, and looks to achieving new services that our communities have been seeking.

Shortly after the last election, and following extensive listening to our communities, Councillors agreed on a vision for the City, and developed the Council Plan outlining the outcomes Councillors have agreed to achieve during their term in office.

The Proposed Budget also provides \$33.88million for the continued maintenance, upgrade and improvements to the City's infrastructure. The significant projects planned for 2015/16 include

- Darebin's regional Women's Sports / High Ball Facility. This is a \$12.4 million project commencing in 2015/16 with \$1.5 million allocated to 2015/16. State and Federal government support is being sought for this landmark project and it helps the City realise its visions for community wellbeing, sports participation (all ages) and active communities.
- Beautification of Darebin Projects: \$2.0 million allocated in 2015/16 for multiple locations across the City, including Preston, Reservoir, Northland precinct and Northcote.
- Traffic and Transport Management. Strategic approach to traffic and transport solutions, education and community support initiatives across the City. \$2.3 million total allocation including \$1.5 million allocated to physical works.
- Energy efficient street lights program. Commenced in 2014/15 and ongoing in 2015/16 to upgrading to LED lights across the city. Total cost \$4.35 million with \$1.85 million Commonwealth funding received. \$1.132 million allocated to 2015/16.
- Community safety initiatives. Broad range of programs and initiatives to ensure community safety across the City.

- \$800,000 for shopping strip infrastructure and business support. This project, started by Council as a major capital initiative two years ago, will provide for upgrade and economic development improvements works in shopping strips throughout the municipality to support local business. Works include renewal of damaged infrastructure, installation of new items like bill poster bollards, signage and branding as well as an intensive cleaning of footpaths and rubbish bins.

Other significant initiatives that we will be focussing on in 2015/16 include:

- Grade separations across the Bell Street and Preston Central precincts, and at Reservoir. This State led project has significant input from Council. We are continuing advocacy and supporting works for these programs for this circa \$500 million project value.
- Ongoing focus on employment and jobs growth.
- Seeking resolution on city wide planning controls and zones from the State government, including the commencement of a pilot inclusionary zoning project in Darebin for social and affordable housing
- Extension to the very popular and beneficial Solar \$aver program with an allocation of \$1.00 million to install solar panels to ratepayer homes.
- Provision of a Children's Hub in the South of the City

The Proposed Budget meets the challenge for the City to have a balanced budget; adequate liquidity, and a sustainable capital investment program. Council has achieved these outcomes within the available financial resources, and without the need to burden the City with loan borrowings.

Cr Steven Tsitas
Mayor

Extract from 2015/16 Proposed Budget Placed on Public Display 11 May 2015

Chief Executive's summary



Council has prepared a Budget for the 2015/16 year which seeks to balance the demand for services and renewal of infrastructure with the community's capacity to pay. The following disclosures provide a concise overview of the budget, the financial position of Council, financial sustainability, and strategic objectives of the Council.

The Proposed Budget has been prepared to give financial effect in the coming year to the objectives set out in the Council Plan 2013-2017 and Strategic Resource Plan.

The Council Plan 2013-2017 contains a number of policy directions specifically designed to reflect Council's vision for the City, and the Budget has been prepared to provide the resources to further the realisation of that vision. Indeed social inclusion, fairness and equity have been key principles in Council determining how to raise income and allocate expenditure to fund the many services it delivers and infrastructure it maintains and upgrades.

The budget is prepared in having regard to the key principles in the Council's Strategic Resource Plan that underpin long term financial planning. These principles are:

- Maintenance of the scope and standard of ongoing services provided to the Darebin community and a flexibility to address changing community needs with innovative services and facilities.
- A focus on renewing community assets such as roads, footpaths, open space and buildings to ensure they are maintained at an appropriate standard to meet required service levels.
- Generation of sufficient ongoing income to fund Council services and capital works commitments over the longer term.
- Holding of sufficient cash and other assets in order to meet Council's payment obligations to suppliers and employees.

In addition the Budget's preparation reflects the principles of Council's Charter of Good Governance:

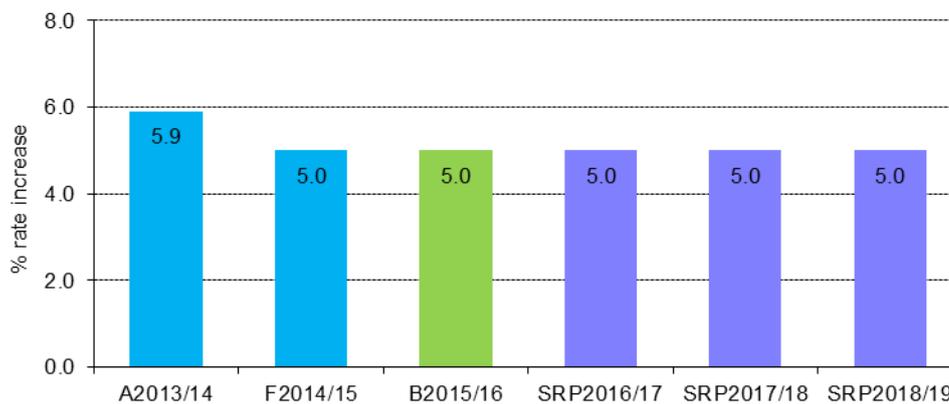
- Transparency.
- Accountability.
- Equity and Inclusion.
- Effectiveness and Efficiency.
- Community Engagement.
- Ethical Decision Making.

The 2015/16 Annual Budget provides the resources and outgoings required to implement the third year of the 2013 - 2017 Council Plan.

Council's call for submissions to our *Local Solutions to Local Issues* program received close to 50 community submissions which have informed the drafting of the budget. The Proposed Budget provides funds to address many of the issues raised, and in particular an additional \$551,000 in our capital program for community *Local Solutions to Local Issues* projects to be undertaken in 2015/16.

1. RATES

Rates are Council's principle source of income; in 2015/16 they represent 71.3% of Darebin's total income.



The rate levy on residential and business property assessments are to be increased by 5.0% in 2015/16. The Council-funded rate rebate provided to residential pensioner ratepayers - on top of the existing State Government pensioner concession – is lifted to \$150 in 2015/16. In total Council will raise total rates and charges of \$114.06 million, including \$0.50 million generated from supplementary rates, and \$2.12 million for green waste charges.

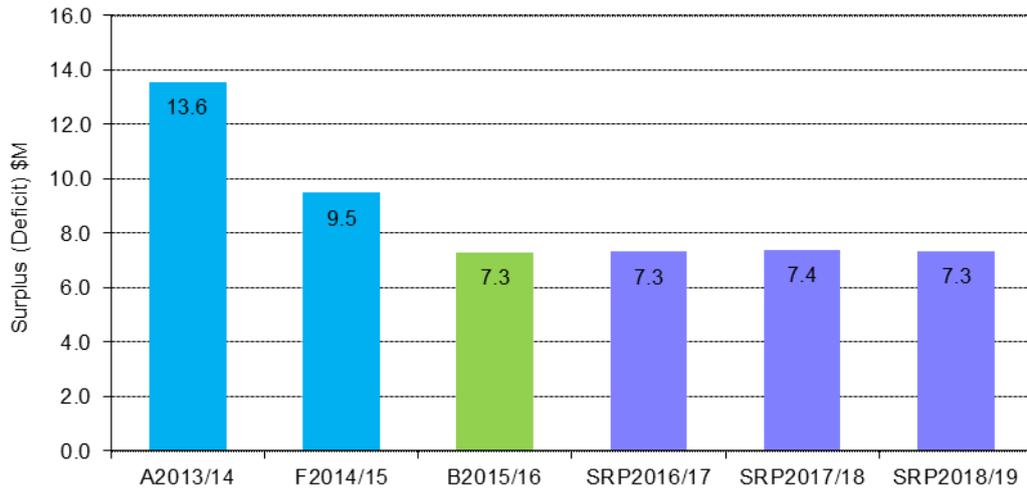
The forward projections provide for rate increases being maintained at 5%. Council is aware of government proposals to restrict councils' rates income to CPI in future years, and the State has commissioned a detailed report on the impact of such a proposal on the services and infrastructure of local government.

Council's forward plans provide for the maintenance of all services and a continuation in capital investment. Therefore, the rates increase has been maintained at the previously forecast rate of 5% increase to support the services and facilities provided by Council. It is recognised that these forecasts may change but without specific details on how the Minister's rate capping proposal will apply, and the impacts on our community clarified, we are not really able to engage in meaningful dialogue with the City's ratepayers on the flow on impacts, and the mitigation of such consequences, at this early stage.

2. OPERATING RESULT

The operating result is a key figure to assess Council's financial performance. It is calculated by deducting the total expenses for the year from total revenues. While Council is a 'not-for-profit' organisation, it should nonetheless generate a surplus in order to ensure financial sustainability in the future. The Capital Works program is primarily funded from the cash surplus that is generated by Council.

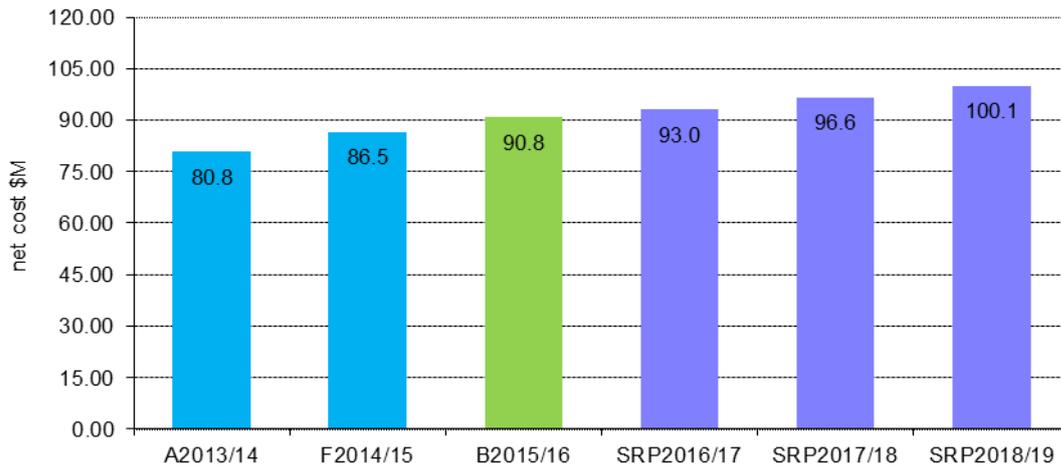
The expected operating result for the 2015/16 year is a surplus of \$7.31 million, which is below the 2014/15 forecast of \$9.48 million. The 2014/15 forecast includes the recognition of \$0.85 million from a Special Charge related to the Solar Saver initiative. These Special Charges are repayable to Council by the beneficiaries over 40 quarterly payments commencing next year. There were also a number of once off capital grants in 2014/15 that will not recur in 2015/16.



The 2015/16 operating surplus of \$7.31 million includes external capital works grant funding of \$1.77 million and \$5.50 million by way of developer contributions, both of which will assist Council to deliver a significant capital works program.

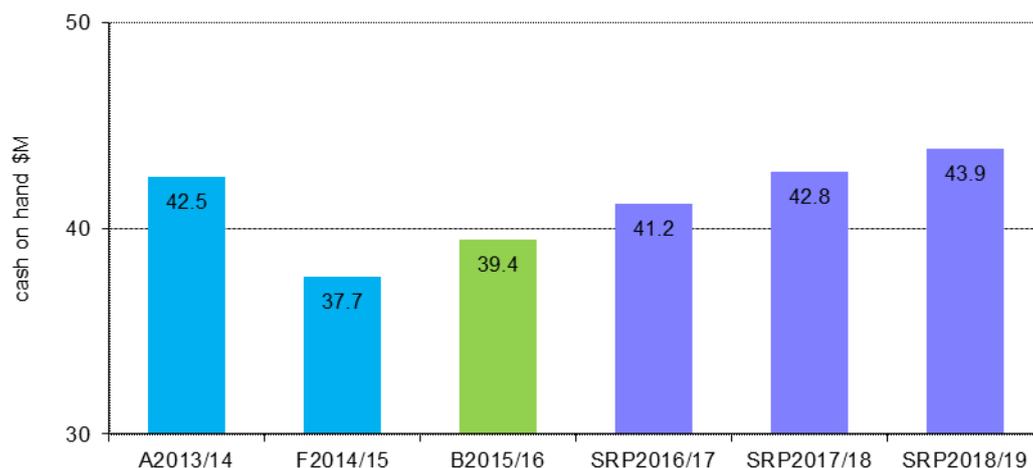
3. SERVICES

Council provides many services to the community. The chart below indicates the cost to Council of providing services which are directly related to the performance of Council’s six strategic objectives – vibrant city and innovative economy; healthy and connected community; sustainable and resilient neighbourhoods; thriving and creative culture; excellent service; and open and accountable democracy.



The net cost of services delivered to the community for the 2015/16 year is expected to be \$90.84 million which is an increase of \$4.36 million or 5.0% over 2014/15. For the 2015/16 year, service levels have been maintained and a number of new activities and initiatives are proposed.

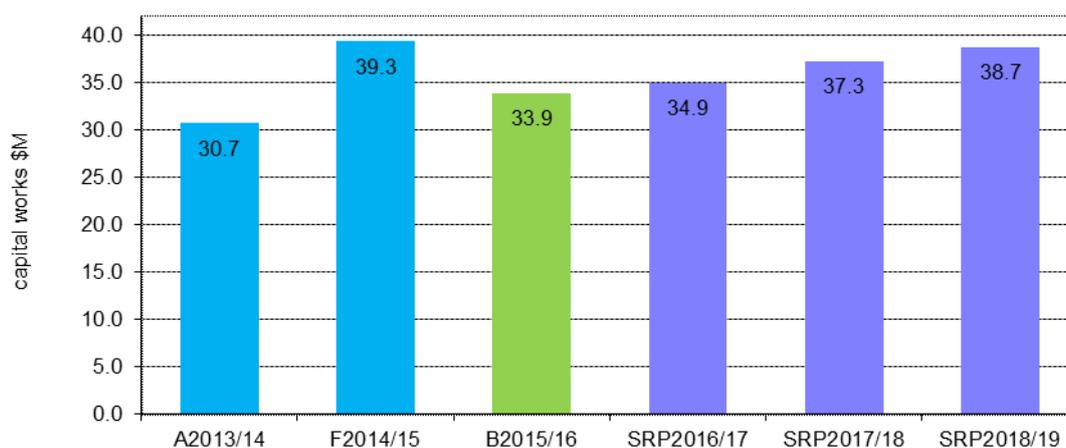
4. CASH AND INVESTMENTS (INCLUDING FINANCIAL ASSETS)



Cash and investments (including term deposits classified as financial assets) are expected to increase by \$1.78 million during the 2015/16 year to \$39.45million at 30 June 2016. This is due in the main to developer contributions to our statutory reserves exceeding withdrawals from that reserve in 2015/16 by \$2.78 million.

5. CAPITAL WORKS

The Capital Works Program is an essential part of Council's stewardship role in managing the assets required to provide services to the community.

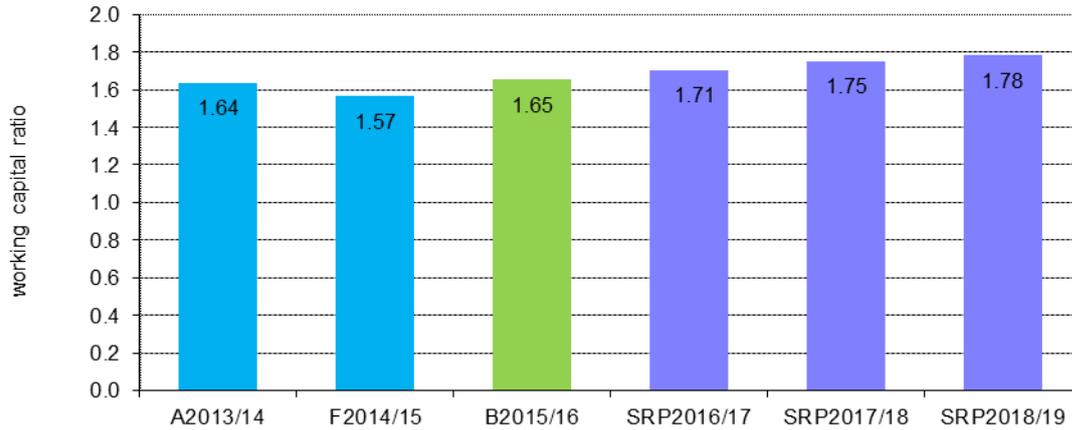


The capital works program for the 2015/16 year is expected to be \$33.88 million of which \$3.01 million relates to projects which will be carried forward from the 2014/15 year, and \$7.16 million is provided for non-capitalised expenditure on major maintenance.

The carried forward amounts include \$0.95 million for Energy efficient street lights, \$0.60 million for the upgrade of the CH Sullivan Reserve pavilion, \$0.25 million for the feasibility to construct additional outdoor multi-purpose sports facility and \$0.23 million for additional relocatable kindergarten buildings. The carried forward component is fully funded from the 2014/15 budget.

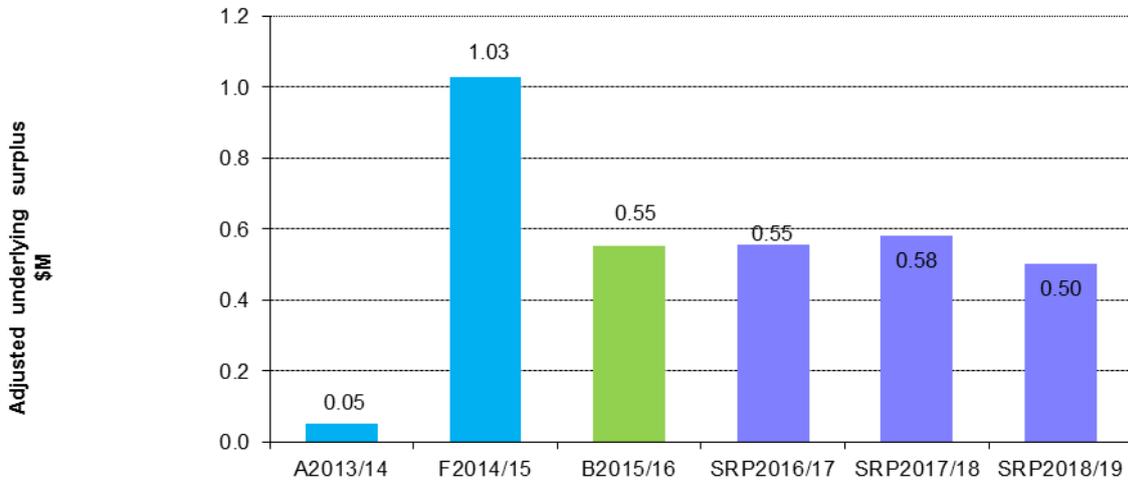
Of the \$33.88 million of capital funding required, \$28.85 million will come from Council operations, \$2.25 million from external government grants, asset sales and other contributions, with the balance of \$2.78 million from statutory reserves. The capital expenditure program has been set and prioritised based on a rigorous process of consultation that has enabled Council to assess needs and develop sound business cases for each project.

6. FINANCIAL POSITION



Working capital represents operating liquidity available to Council. The budgeted working capital at 30 June 2016 is a financially sound 165% of current (or short term) assets against current liabilities, representing Council's ability to meet its current obligations. This means that for every \$1.00 of current liabilities, Council has \$1.65 worth of current assets.

7. FINANCIAL SUSTAINABILITY*



** The underlying result excludes the impact of capital grants and contributions received from external parties and the impact of operating grants received in advance.*

The underlying surplus shows the operating result excluding the impact of capital grants and contributions received from external parties, and the impact of operating grants received in advance. It is the true financial operating result for the organisation. The underlying surplus for 2015/16 is a small surplus of \$0.55 million. The underlying surplus for 2014/15 is expected to be \$1.03 million.

8. FINANCIAL RATIOS

Each year the Auditor-General performs an analysis of all Victorian Councils against 6 indicators of financial sustainability.

The table below provides Darebin's rating for each of these indicators. The overall, it is forecast that the Auditor-General will assess Darebin's as a Council with a low risk of financial sustainability concerns, as most indicators rated as low.

	Low	Medium	High	Basis of calculation
Underlying result	> 0%	0 - 10%	< 0% by 10%	Underlying result/Underlying revenue
Liquidity	> 1.5	1.0 - 1.5	<1.0	Current assets/Current liabilities
Self financing %	> 20%	10 - 20%	< 10%	Net Operating cash flows/underlying revenue
Indebtedness %	< 40%	40 - 60%	> 60%	Non-current liabilities/ own sourced revenue
Capital replacement	> 1.5	1.0 - 1.5	<1.0	Capital works/depreciation
Renewal Gap	> 1.0	0.5 - 1.0	< 0.5	Asset renewal/Total depreciation

	Actual 2012/13	Actual 2013/14	Forecast 2014/15	Budget 2015/16	2016/17	2017/18	2018/19	Trend +/-
Underlying Result %	0.1%	0.0%	0.7%	0.4%	0.3%	0.4%	0.3%	o
Liquidity	1.80	1.64	1.57	1.65	1.71	1.75	1.78	+
Self financing %	9.3%	9.3%	18.4%	18.4%	18.4%	19.0%	18.5%	+
Indebtedness %	1.2%	1.1%	1.1%	1.0%	0.9%	0.9%	0.9%	+
Capital replacement	1.21	1.21	1.56	1.20	1.25	1.24	1.25	+
Renewal Gap	65.6%	65.8%	65.6%	62.5%	65.0%	64.6%	65.0%	+

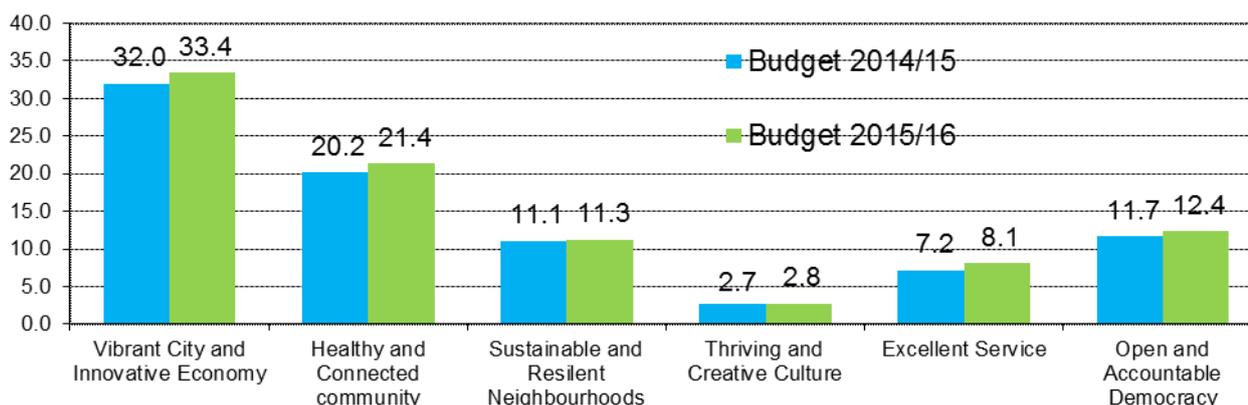
Key to Forecast Trend:

- + Forecasts improvement in Council's financial performance/financial position indicator
- o Forecasts that Council's financial performance/financial position indicator will be steady
- Forecasts deterioration in Council's financial performance/financial position indicator

9. STRATEGIC OBJECTIVES

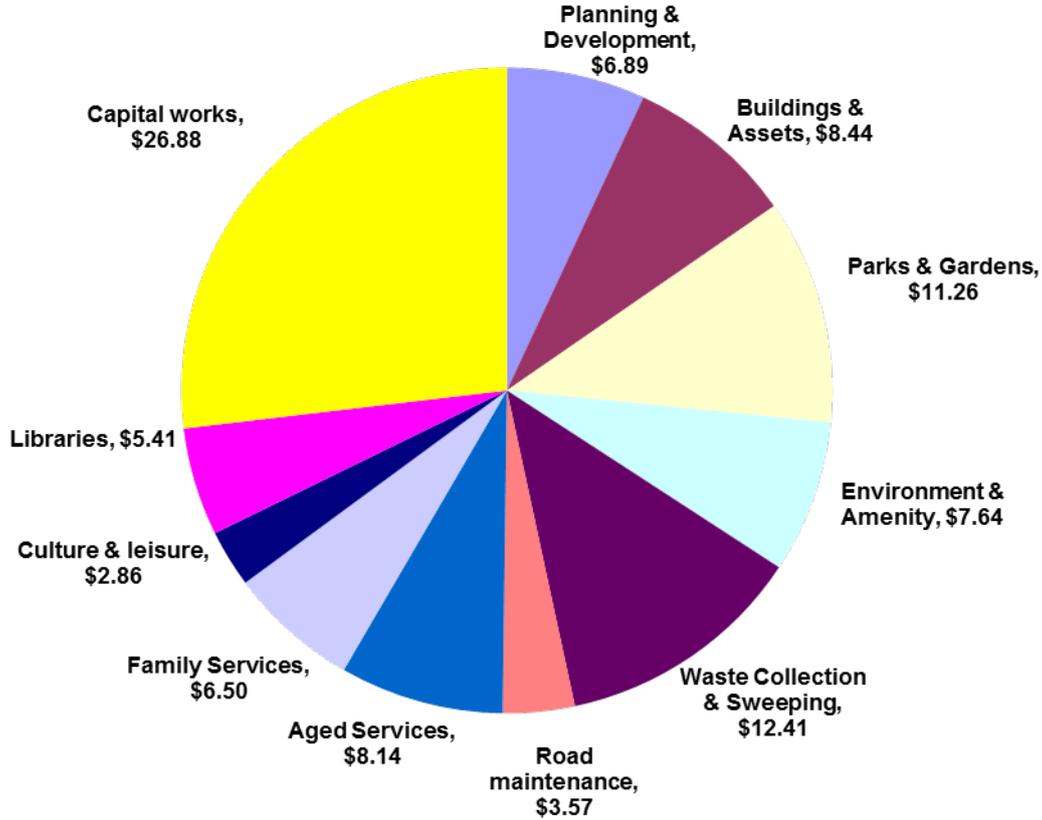
The Proposed Budget 2015/16 includes a range of activities that will contribute to achieving the strategic objectives specified in the Council Plan. The above graph shows the level of funding allocated in the budget to achieve the strategic objectives as set out in the Council Plan 2013-2017.

Net Cost \$M



Further details on the allocation of Council’s resources to achievement of the Council Plan strategies is contained in section 2 of this report.

10. WHERE YOUR RATES ARE SPENT



The “Where your rates are spent” chart provides a summary of how Council allocates its expenditure across the main services that it delivers. It shows how much is allocated to each service area for every \$100 that Council spends. These expenditures reflect the forecast net cash cost for the provision of those services in 2015/16.

11. SUMMARY

Council has a significant responsibility for the stewardship and governance of the assets entrusted to it. The 2015/16 budget represents a solid continuation of those efforts.

The 2015/16 Budget has been developed through a rigorous process of consultation and review, and management endorses it as financially responsible. More detailed budget information is available throughout this document.

On a closing note, readers will see that Council has forecast rate increases in line with its previously publicised and adopted Council Plan; the forecast rate increase is 5% for the coming years. This quantum of increase has been used to model the resources required by Council to deliver its services to the community, and to provide the infrastructure so vital to our City. This approach has been taken in full understanding that it is the intention of the State Government to limit Council's capacity to raise revenues in future years by reference to CPI. However, Council is awaiting the outcomes of the Minister's report (to be undertaken by the Essential Services Commission (ESC)) on the application, and scope, of such a limitation on revenue raising. The ESC's report will include an assessment on the impacts on local government services and infrastructure stemming from the Minister's proposal.

Consequently, and in the absence of specific details on the Minister's final proposal, Council is not in an informed position to undertake the essential discussions with our community on how the Council's adopted Council Plan, the related services and infrastructure developments, may best be revised in light of the Minister's final directions related to rate capping.

The communities in the City of Darebin have a number of diverse, social and economic challenges. These factors may enable Council to receive exemptions from rate capping in order to continue to achieve the vision for Darebin to be *"The Place to Live"*.

Darebin is one of the most financially sustainable councils in Victoria, yet we are also a council that depends heavily on rate revenue in order to deliver our services. While the exact parameters of rate capping are not yet known, we do know that the introduction of rate capping in future budget years will necessitate significant changes to our forward planning. It will have a significant impact on our Strategic Resource Plan and Long Term Financial Plan.

Once Council has adopted the final budget for 2015/16, information will be provided to the community on key capital works projects, such as beautification works across the city and key programs, such as Solar \$aver. Information will be provided through the following channels:

- Rate notices
- Darebin Community News
- Mayor's Message (Leader)
- Darebin website
- Media

Project progress will also be documented and tracked on the Council website, enabling residents to see the delivery of projects across the year.

Rasiah Dev
Chief Executive

Attachment B

Extracts of Statutory Disclosures from the Proposed Budget 2015/16

APPENDIX A FINANCIAL STATEMENTS

This appendix presents information in regard to the Financial Statements and Statement of Human Resources. The budget information for the years 2015/16 to 2018/19 has been extracted from the Strategic Resource Plan.

The appendix includes the following budgeted information:

- Comprehensive Income Statement
 - Balance Sheet
 - Statement of Changes in Equity
 - Statement of Cash Flows
 - Statement of Capital Works
 - Statement of Investment Reserves
 - Statement of Human Resources
-

CITY OF DAREBIN
COMPREHENSIVE INCOME STATEMENT
FOR THE FOUR YEARS ENDING 30 JUNE 2019

	Forecast	Budget 2016 \$'000	Strategic Resource Plan		
	Actual		2017	2018	2019
	2015 \$'000		\$'000	\$'000	\$'000
Income					
Rates and charges	106,884	113,858	118,698	124,865	131,266
User fees	11,804	11,959	12,257	12,559	12,976
Statutory fees and fines	6,582	6,607	6,929	6,874	7,011
Contributions	3,797	5,500	5,500	5,500	5,500
Grants - operating	15,824	15,934	16,245	16,562	16,849
Grants - capital and contributions	5,478	1,772	1,267	1,299	1,332
Net gain (loss) on disposal of property, infrastructure, plant and equipment	181	(259)	57	38	19
Other	4,992	4,442	4,768	3,924	4,204
Total income	155,541	159,813	165,721	171,622	179,156
Expenses					
Employee costs	74,000	78,530	81,487	84,791	88,191
Materials and services	41,980	42,637	45,144	45,629	45,924
Bad and doubtful debts	789	802	822	842	863
Finance costs	17	7	0	0	0
Depreciation and amortisation	20,890	22,241	22,645	24,587	25,311
Other	8,382	8,289	8,301	8,392	11,533
Total expenses	146,059	152,506	158,399	164,241	171,822
Surplus / (deficit) for the year	9,482	7,306	7,322	7,381	7,334
Other comprehensive income					
Items that will not be reclassified to surplus or deficit in future periods					
Net asset revaluation increment /(decrement)	0	95,762	0	156,021	0
Share of other comprehensive income of associates and joint ventures					
Items that may be reclassified to surplus or deficit in future periods					
Total comprehensive result	9,482	103,068	7,322	163,401	7,334

CITY OF DAREBIN
BALANCE SHEET
FOR THE FOUR YEARS ENDING 30 JUNE 2019

	Forecast	Budget	Strategic Resource Plan		
	Actual		2017	2018	2019
	2015	2016	2017	2018	2019
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance Sheet					
Current assets					
Cash and cash equivalents	22,837	24,616	26,378	27,927	29,043
Finance Assets	14,830	14,830	14,830	14,830	14,830
Trade and other receivables	16,485	18,942	20,447	22,003	23,636
Other assets	87	87	87	87	87
Total current assets	54,239	58,476	61,742	64,846	67,595
Non-Current Assets					
Trade and other receivables	114	114	114	114	114
Property, infrastructure, plant & equipment	1,161,505	1,260,834	1,265,682	1,426,753	1,432,112
Investment property	3,782	3,782	3,782	3,782	3,782
Intangibles	1,404	1,574	1,587	1,686	1,815
Other assets	236	236	236	236	236
Total non-current assets	1,167,041	1,266,540	1,271,400	1,432,571	1,438,058
Total assets	1,221,280	1,325,016	1,333,142	1,497,417	1,505,653
Current Liabilities					
Trade and other payables	16,504	16,744	17,000	17,265	17,534
Interest-bearing loans and borrowings	136	36	36	0	0
Provisions	18,002	18,566	19,151	19,759	20,392
Total current liabilities	34,642	35,346	36,186	37,024	37,926
Non-Current Liabilities					
Interest-bearing loans and borrowings	36	0	(36)	0	0
Provisions	1,362	1,362	1,362	1,362	1,362
Total non-current liabilities	1,398	1,362	1,326	1,362	1,362
Total liabilities	36,040	36,708	37,512	38,386	39,288
Net assets	1,185,240	1,288,307	1,295,629	1,459,030	1,466,364
Equity					
Accumulated Surplus	498,262	502,843	510,165	517,546	524,880
Asset Revaluation Reserve	675,793	771,555	771,555	927,575	927,575
Other Reserves	11,184	13,909	13,909	13,909	13,909
Total Equity	1,185,240	1,288,307	1,295,629	1,459,030	1,466,364

CITY OF DAREBIN
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDING 30 JUNE 2019

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2016				
Balance at beginning of the financial year	1,185,239	498,262	675,793	11,184
Surplus/(deficit) for the year	7,306	7,306	-	-
Net asset revaluation increment(decrement)	95,762	-	95,762	-
Transfer to other reserves	0	(5,500)	-	5,500
Transfer from other reserves	0	2,775	-	(2,775)
Balance at end of the financial year	1,288,307	502,843	771,555	13,909
2017				
Balance at beginning of the financial year	1,288,307	502,843	771,555	13,909
Surplus/(deficit) for the year	7,322	7,322	-	-
Net asset revaluation increment(decrement)	0	-	0	-
Transfer to other reserves	0	(5,500)	-	5,500
Transfer from other reserves	0	5,500	-	(5,500)
Balance at end of the financial year	1,295,629	510,165	771,555	13,909
2018				
Balance at beginning of the financial year	1,295,629	510,165	771,555	13,909
Surplus/(deficit) for the year	7,381	7,381	-	-
Net asset revaluation increment(decrement)	156,021	-	156,021	-
Transfer to other reserves	0	(5,500)	-	5,500
Transfer from other reserves	0	5,500	-	(5,500)
Balance at end of the financial year	1,459,030	517,546	927,575	13,909
2019				
Balance at beginning of the financial year	1,459,030	517,546	927,575	13,909
Surplus/(deficit) for the year	7,334	7,334	-	-
Net asset revaluation increment(decrement)	0	-	0	-
Transfer to other reserves	0	(5,500)	-	5,500
Transfer from other reserves	0	5,500	-	(5,500)
Balance at end of the financial year	1,466,364	524,880	927,575	13,909

CITY OF DAREBIN
STATEMENT OF CASH FLOWS
FOR THE FOUR YEARS ENDING 30 JUNE 2019

	Forecast Actual 2015 \$'000	Budget 2016 \$'000	Strategic Resource Plan 2017 2018 2019 \$'000 \$'000 \$'000		
Cash flows from operating activities					
Receipts from customers	124,149	132,737	139,276	145,660	152,561
Payments to suppliers and employees	(123,940)	(129,454)	(134,914)	(138,781)	(145,610)
	209	3,283	4,362	6,880	6,952
Interest received	1,670	1,631	1,870	1,006	1,264
Government receipts	25,098	23,206	23,013	23,362	23,680
Net cash inflow from operating activities	26,977	28,120	29,245	31,247	31,896
Cash flows from investing activities					
Proceeds from sale of prop, plant and equip	904	482	817	817	817
Repayment of loans and advances	63	41	0	0	0
Trusts funds and deposits	0				
Payments for other financial assets	0	0	0	0	0
Payments for property, infrastructure, plant and equipment	(32,639)	(26,720)	(28,265)	(30,515)	(31,596)
Net cash outflow from investing activities	(31,672)	(26,197)	(27,448)	(29,698)	(30,780)
Cash flows from financing activities					
Finance costs	(16)	(7)	(0)	0	0
Trust funds and deposits	0		0	0	0
Proceeds from borrowings	0	0	0	0	0
Repayment of borrowings	(128)	(136)	(36)	0	0
Net cash outflow from financing activities	(144)	(144)	(36)	0	0
Net (decrease)/increase in cash & cash equivalents	(4,839)	1,779	1,761	1,549	1,116
Cash and cash equivalents at beg of year	27,677	22,838	24,617	26,379	27,928
Cash & cash equivalents at end of year	22,838	24,617	26,379	27,928	29,044
Represented by:					
Unrestricted cash and investments	11,653	10,707	12,469	14,018	15,134
Reserves	11,184	13,909	13,909	13,909	13,909
Total cash and investments	22,838	24,617	26,379	27,928	29,044

CITY OF DAREBIN
STATEMENT OF CAPITAL WORKS
FOR THE FOUR YEARS ENDING 30 JUNE 2019

	Forecast	Budget 2016 \$'000	Strategic Resource Plan		
	Actual 2015 \$'000		2017 \$'000	2018 \$'000	2019 \$'000
Works carried forward					
Property					
Land	0	0	0	0	0
Land Improvements	0	0	0	0	0
Total land	0	0			
Buildings	6,406	1,428	0	0	0
Building improvements	0	0	0	0	0
Total buildings	6,406	1,428	0	0	0
Total property	6,406	1,428	0	0	0
Plant and equipment					
Plant, machinery and equipment	0	0	0	0	0
Computers and telecommunications	408	129	0	0	0
Total plant and equipment	408	129	0	0	0
Infrastructure					
Roads	298	0	0	0	0
Transport & Road Safety	456	950	0	0	0
Footpaths and cycleways	0	0	0	0	0
Drainage	0	34	0	0	0
Rec, leisure and community facilities	325	0	0	0	0
Parks, open space and streetscapes	395	473	0	0	0
Off street car parks		0	0	0	0
Other infrastructure		0	0	0	0
Total infrastructure	1,474	1,457	0	0	0
Total works carried forward	8,288	3,014	0	0	0

CITY OF DAREBIN
STATEMENT OF CAPITAL WORKS
FOR THE FOUR YEARS ENDING 30 JUNE 2019

	Forecast		Strategic Resource Plan		
	Actual	Budget	2017	2018	2019
	2015	2016	2017	2018	2019
	\$'000	\$'000	\$'000	\$'000	\$'000
New works					
Property					
Land	0	0	0	0	0
Land Improvements	0	135	139	148	146
Total land	0	135	139	148	146
Buildings	5,621	4,658	8,741	9,552	9,862
Building improvements	250	614	858	937	968
Total buildings	5,871	5,272	9,598	10,489	10,829
Total property	5,871	5,407	9,737	10,638	10,975
Plant and equipment					
Plant, machinery and equipment	4,619	2,708	4,755	4,966	5,376
Fixtures, Fittings and Furniture	0	130	144	150	163
Computers and telecommunications	1,119	1,591	1,191	1,290	1,392
Library books	732	732	810	845	915
Total plant and equipment	6,470	5,161	6,900	7,251	7,846
Infrastructure					
Roads	4,143	5,009	3,622	3,884	4,111
Transport & road safety	2,915	3,327	2,827	3,030	3,208
Bridges	70	454	454	487	515
Footpaths and cycleways	2,235	2,252	2,252	2,414	2,556
Drainage	894	1,110	1,045	914	988
Recreation, leisure and community facilities	791	569	585	626	617
Parks, open space and streetscapes	7,535	7,451	7,366	7,875	7,762
Off street car parks	100	42	43	46	46
Other infrastructure	15	85	87	93	92
Total Infrastructure	18,698	20,299	18,282	19,370	19,894
Total new works	31,039	30,867	34,919	37,258	38,716
Total capital works expenditure	39,327	33,881	34,919	37,258	38,716
Represented by:					
New asset expenditure	4,896	3,998	4,228	4,565	4,727
Asset expansion expenditure	6,202	1,986	2,100	2,267	2,348
Asset upgrade expenditure	7,834	6,831	7,227	7,803	8,079
Asset renewal expenditure	13,709	13,905	14,709	15,880	16,443
Asset maintenance expenditure	6,687	7,161	6,654	6,743	7,119
Total capital works expenditure	39,327	33,881	34,919	37,258	38,716

CITY OF DAREBIN
STATEMENT OF INVESTMENT RESERVES
FOR THE YEAR ENDING 30 JUNE 2019

	Forecast	Budget 2016 \$'000	Strategic Resource Plan		
	Actual 2015 \$'000		2017 \$'000	2018 \$'000	2019 \$'000
Statement of Reserves					
Statutory					
Car parking	228	228	228	228	228
Drainage	22	22	22	22	22
DCP	1,283	3,283	3,283	3,283	3,283
Public resort & recreation	9,651	10,376	10,376	10,376	10,376
Total Statutory reserves	11,184	13,909	13,909	13,909	13,909

CITY OF DAREBIN
STATEMENT OF HUMAN RESOURCES
FOR THE YEAR ENDING 30 JUNE 2019

	Forecast	Budget	Strategic Resource Plan		
	Actual		Projections		
	2014/15	2015/16	2016/17	2017/18	2018/19
	\$'000	\$'000	\$'000	\$'000	\$'000
Staff Expenditure					
Employee Costs - Operating	74,000	78,530	81,487	84,791	88,191
Employee Costs - Capital	0	0	0	0	0
Total staff expenditure	74,000	78,530	81,487	84,791	88,191
	EFT	EFT	EFT	EFT	EFT
Staff numbers					
Employees*	657.0	661.8	663.8	665.8	667.8

*EXCLUDES CASUAL AND HOME CARE STAFF

APPENDIX B

RATES AND CHARGES

This appendix presents information about rates and charges which the Act and the Regulations require to be disclosed in the Council's annual budget.

Rates and charges

1. Rates and charges

The rate in the dollar for each type of rate to be levied

Type of Property	2014/15 cents/\$CIV	2015/16 cents/\$CIV
General rate for rateable residential properties	0.246603	0.258933
General rate for rateable business properties	0.431555	0.453133
General rate for rateable vacant residential properties	0.739809	0.776799
General rate for rateable vacant business properties	0.986412	1.035732
General rate for Mixed Use Occupancy Land	0.345244	0.362506
General rate for Vacant Retail Land	0.986412	1.035732
Rate concession for rateable recreational properties	0.215778	0.226566

The estimated amount to be raised by each type of rate to be levied

Type of Property	2014/15 \$	2015/16 \$
Residential	83,513,549	88,861,528
Business	19,041,370	20,111,013
Vacant residential	608,811	563,513
Vacant business	837,908	894,241
Mixed Use Occupancy Land	1,078,184	1,135,111
Vacant Retail Land	231,511	132,729
Recreational	24,609	25,840

The estimated total amount to be raised by rates

	2014/15 \$	2015/16 \$
Total rates to be raised*	105,335,942	111,723,975

*Excludes the impact of the Council rate rebate and supplementary rates

The proposed percentage change in the rate in the dollar for each type of rate to be levied, compared to that of the previous financial year

Type of Property	2014/15 Change %	2015/16 Change %
Residential	5	5
Business	5	5
Vacant residential	5	5
Vacant business	5	5
Mixed Use Occupancy Land	5	5
Vacant Retail Land	5	5
Cultural and recreational	5	5

The number of assessments for each type of rate to be levied compared to the previous year and the total number of assessments

Type of Property	2014/15 No.	2015/16 No.
Residential	60,343	61,094
Business	4,448	4,565
Vacant residential	170	154
Vacant business	96	87
Mixed Use Occupancy Land	530	536
Vacant Retail Land	53	34
Cultural and Recreational	8	8
Total property numbers	65,648	66,478

The basis of valuation to be used
Capital Improved Value (CIV)

The estimated total value of land in respect of which each type of rate is to be levied compared with the previous year

Type of Property	2014/15 \$	2015/16 \$
Residential	33,865,585,000	34,318,348,000
Business	4,412,269,601	4,438,214,101
Vacant residential	82,293,000	72,543,000
Vacant business	84,945,000	86,339,000
Mixed Use Occupancy Land	312,296,000	313,129,000
Vacant Retail Land	23,470,000	12,815,000
Cultural and Recreational	11,405,000	11,405,000
Total value of land	38,792,263,601	39,252,793,101

The unit amount to levied for each type of charge under section 162 of the Act

Type of Charge	2014/15 \$	2015/16 \$	% Change
Green waste service charge – 120 litre bin	46.50	48.00	3.2
Green waste service charge – 120 litre bin (pensioner)	24.00	28.20	4.4
Green waste service charge – 240 litre bin	88.00	92.00	4.5
Green waste service charge – 240 litre bin (pensioner)	58.50	60.00	2.6

The estimated total amount to be raised by rates and charges

	2014/15 \$	2015/16 \$
General rates	105,335,942	111,723,975
Service charges	2,023,716	2,124,902
Total rates and charges*	107,359,658	113,848,877

*Excludes the impact of the Council rate rebate and supplementary rates

The estimated total amount of Council rebates in relation to rates

	2014/15 \$	2015/16 \$
Total rebates in relation to rates	1,550,000	1,753,800

Significant changes

There are no known significant changes, which may affect the estimated amounts to be raised by rates and charges. However, the total amount to be raised by rates and charges may be affected by:

The making of supplementary valuations

- The variation of returned levels of value (e.g. valuation appeals)
- Changes of use of land
- Changes in the number of green waste services provided to residents
- Changes in the number of eligible pensioners

15. ANNUAL FINANCIAL REPORT

AUTHOR: Financial Accountant – Michael O’Riordan

MANAGER: Interim Chief Financial Officer – Rob Spargo

**BUDGET
IMPLICATIONS:** Nil

SUMMARY:

This report provides the draft shell Annual Financial Report for the year ended 30 June 2015 to be presented at year-end.

CONSULTATION:

Remy Szpak – Victorian Auditor General’s Office

Local Government Model Financial report Manual 2014/15 (DofELW&P)

Local Government Model Financial report Better Practice Guide 2014/15

RECOMMENDATION

THAT this report on the draft shell Annual Financial Report for the year ended 30 June 2015 be received and noted.

REPORT

BACKGROUND

As part of the Local Government ‘Better practice - Financial report preparation guidelines’, the shell financial statements, incorporating all current reporting requirements, should be provided to the audit committee and external auditors for clearance prior to the commencement of preparing the financial report for year-end. The guidelines also specify the CEO / Council are briefed on how significant changes in requirements and/or accounting policies will likely impact the financial performance and position of the entity.

The preparation and timely provision of a shell financial report to audit allows for early identification of amendments required to the financial report, minimising the need for significant disclosure changes at year-end.

CORE ISSUES

Statutory Requirements

The Local Government Local Government Act (1989) (the act) and the Local Government (Planning and Reporting) Regulations 2014 (the regulations), requires Council to prepare an annual report in respect of each financial year. The annual report is to contain audited financial statements.

The regulations require a Council's audited financial statements are to be prepared in accordance with the Local Government Model Financial Report.

Regulations 19 and 20 in part four of the regulations state that:

- The financial statements must be prepared in accordance with the Local Government Model Financial Report
- The financial statements must contain a statement of capital work
- The financial statements must include specified other information as notes

The review of the Local Government Model Financial Report Manual 2015 has identified other reporting / disclosure changes from the previous year. There have been significant changes incorporated to the format presented in the 2013/14 Annual Financial Report. These changes include;

Statements

- Removal of standard statements and certification
- Addition of Statement of Capital Works
- Changes to performance statement to reflect the Local Government Performance Reporting Framework which include indicators covering Sustainable Capacity, Service Performance and Financial Performance.

Notes to the accounts

- Note 1 – revamped pending accounting standards to be more Local Government focused
- Note 2 – Budget comparison of Income and expenditure and Capital works.
- Note 11(a) – Superannuation, replaces former Note 32, with additional disclosure with regard to Defined Benefits included in Note 35 - Contingent Liabilities.
- Note - Investment in associates, joint arrangements and subsidiaries. (if required)
- Note 22 – Property, Infrastructure, Plant & equipment (PIP&E), revamped notation to include table to disclose movement in PIP&E at both gross and net levels
- Note 24 – Intangibles, disclosure of all movements in intangible assets
- Note 32 – amended threshold and bandings for senior officer remuneration
- Note 36 – Financial Instruments, a more conservative approach has been adopted to the required disclosures of AASB 139.

FINANCIAL IMPLICATIONS

Nil.

FUTURE ACTIONS

As advised by Audit Committee members and external audit, to amend the draft shell Annual Financial Report in light of any required reporting requirements or disclosure changes.

COMMITTEE RECOMMENDATION

MOVED: Cr Tim Laurence

SECONDED: Dr Bruce Carroll

THAT this report on the draft shell Annual Financial Report for the year ended 30 June 2015 be received and noted.

CARRIED

16. LOCAL GOVERNMENT PERFORMANCE FRAMEWORK IMPLEMENTATION REPORT

AUTHOR: Manager Corporate Governance and Performance – Jacinta Stevens

MANAGER: Chief Executive – Rasiah Dev

SUMMARY:

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

RECOMMENDATION

THAT the Audit Committee:

- (1) Receive and note the contents of this report
- (2) Receive and note the Performance Framework Indicators included in Performance Statement attached as **Appendix A** to this report

REPORT

INTRODUCTION AND BACKGROUND

The State Government has established a suite of performance measures that will be compulsory for every Victorian council to report against. Called the 'Local Government Performance Framework' (LGPRF), the indicators are now part of the Local Government Act and became effective from 1 July 2014.

The LGPRF consists of:

- 71 (including one optional) quantitative measures that cover 11 service categories and our financial position
- a 24 qualitative 'governance and management' checklist
- additional 'optional' service indicators covering immunization, sports grounds and street sweeping

Of these indicators, 31 are considered auditable and form part of the Performance Statement. These are divided into the following categories:

- 13 Service Performance indicators from 11 Service categories
- 12 Financial Performance indicators
- 6 Sustainable Capacity indicators

This report deals with Council's capacity to meet the requirements of auditors in assessing these measurements.

ISSUES AND DISCUSSION

Council will be in a healthy position to report on the LGPRF accurately at the end of the financial year. As the financial year draws to a close, Council needs to prepare for the arrival of the auditors in July / August.

Completed actions since March

Since the last report in March, the following actions were completed:

- All indicators have been loaded into Interplan (Business Planning and reporting software) with data collected quarterly
- To improve accountability, Interplan indicators are allocated to Managers and linked to department Business Plans
- Councils mid-year LGPRF data has been reported to the Executive
- Benchmarking from 14 other Councils on LGPRF results were compiled and also reported to Executive and Managers
- Any final adjustments to workbook (including recent circular and errata document) have been communicated to relevant staff
- Attended Corporate Planners' Network meeting to exchange views
- Established Northern Metropolitan Council benchmarking group which met in April

Preparation for Auditors

To assist with the visit of the auditors, the following preparations have been completed:

- Standardised word templates for each indicator have been prepared noting indicator definitions and prompting officers to supply appropriate proof of calculations (including primary and secondary data sets where required)
- 'Cost' measures will now be done in conjunction with Finance department
- Received confirmation from VAGO that our Community Satisfaction Survey meets legal requirements of LGPRF

POLICY IMPLICATIONS

Environmental Sustainability

One of the measures within the LGPRF address the issue of environmental stability specifically. This is:

- #27 Kerbside collection waste diverted from landfill

Social Inclusion and Diversity

Two of the indicators deal with issues of equity and inclusion they are:

- #53 Participation in Maternal and Child Health service by Aboriginal children
- #48 Participation Home and Community Care Service by Culturally and Linguistically Diverse (CALD) people

Economic Development

Economic Development is one of the 11 Service Performance categories within the LGPRF.

FINANCIAL AND RESOURCE IMPLICATIONS

Data collection is estimated to take 126 hours in total staff time which equates to about \$ 5,040 in salary costs.

FUTURE ACTIONS

The following actions are scheduled:

Mid-Year LGPRF data will be taken to Council

Collection of data for Performance Statement will occur in July

Quarterly collection of Indicator information will continue in Interplan

Benchmarking and networking amongst Councils will continue

DISCLOSURE OF INTERESTS

Section 80C of the *Local Government Act 1989* requires members of Council staff and persons engaged under contract to provide advice to Council to disclose any direct or indirect interest in a matter to which the advice relates.

The Director authorising this report, having made enquiries with relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

RELATED DOCUMENTS

Local Government Performance Reporting Framework – Indicator Workbook 4.0

Local Government Amendment (Performance Reporting and Accountability) Act 2014

Government (Planning and Reporting) Regulations 2014 (the regulations)

COMMITTEE RECOMMENDATION

MOVED: Mr Terry Richards

SECONDED: Cr Tim Laurence

THAT the Audit Committee:

- (1) Receive and note the contents of this report
- (2) Receive and note the Performance Framework Indicators included in Performance Statement attached as **Appendix A** to this report

CARRIED

17. DEVELOPER CONTRIBUTION PLAN – AMENDMENT C148**AUTHOR:** Financial Accountant – Michael O’Riordan**MANAGER:** Acting Director Corporate Services – Tiffany White**BUDGET
IMPLICATIONS:** Nil**SUMMARY:**

This report provides the committee with an update to the status of the 2004–14 Darebin Development Contributions Plan (2004-14 DCP) which has concluded with unspent funds.

CONSULTATION:

Department of Environment, Water, Land and Planning
Statutory Planning
Leisure Services
Assets and Properties
Finance
Corporate Governance

RECOMMENDATION

THAT this report on the Darebin Development Contribution Plan: Amendment C148 and be received and noted.

COMMITTEE RECOMMENDATION MADE IN CONFIDENCE

18. CORPORATE RISK AND BCP UPDATE

AUTHOR: Acting Corporate Risk Manager – Jacqueline Johnson

REVIEWED BY: Acting Director Corporate Services – Tiffany White

SUMMARY:

This report provides an update on 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

RECOMMENDATION

THAT the Audit Committee receives and notes this report.

REPORT

INTRODUCTION AND BACKGROUND

Regular briefings to the Audit Committee of Council's Risk Management status, systems and practices have been ongoing since 2011. The commitment from the organisation has seen significant improvements in ensuring sound risk management practices are in place to protect it from corporate and operational risk exposures and defend it in potential legal proceedings.

The purpose of this report is to provide an update on the organisation's progress in relation its risk management systems and practices including Strategic and Operational Risks, Risk Performance and Business Continuity Planning.

ISSUES AND DISCUSSION

Strategic Risks

The Executive Management Team (EMT) is currently working on a detailed review of the Strategic Risk Register. The updated register, which is currently in draft format but is expected to be endorsed by EMT with a final version by July 2015, has been streamlined to allocate the strategic risks into several sub-groups: Governance, Organisational Sustainability, Systems, Infrastructure Management and Development, Stakeholders and Community and OHS and Wellbeing. This review was at the request of EMT (with the support of Corporate Risk) and it is anticipated that the register will be streamlined for improved ease of use and review.

The updated Strategic Risk Register will be presented to the next operational 2015 Audit Committee meeting.

EMT discussion

The weekly EMT meeting agenda includes standing items:

- Critical Risk Management Update
- OH&S

EMT is regularly presented with a listing of current risk related issues for discussion. This is a dynamic list that ensures current risks are identified, fully considered and managed. The EMT was briefed in April 2015 on the status of the operational risk register. See below for specific information regarding the operational risks included in the briefing.

Operational Risks

Following a comprehensive review of the organisation's operational risk register, all departments in Council now have an updated operational risk register specific to their business unit, which is recorded in Council's performance management program *Interplan*. This allows the register to be monitored, updated and reported on in order to drive continuous improvement and ensure the delivery of department's business plans and objectives.

In November 2014, Corporate Risk coordinated the annual review of all operational risks. Prior to the review there were a total of 189 operational risks with 33 High residual risks identified. The review found that many of these risks had been effectively treated but had not been removed from the register. As a result of the review, there are now a total of 94 operational risks with 4 High residual risks identified. These residual risks continue to be monitored quarterly by the relevant manager and overseen by Corporate Risk until they are adequately managed.

Fraud Awareness Training

The fraud prevention policy requires fraud awareness training to be undertaken every two years. Face to face training commenced in March 2015 with everyone in the organisation required to attend. Currently, 375 employees have completed the training with the remainder of staff on track to complete by December 2015. There has also been an online module developed through Council's online learning provider, which was developed in consultation with Council's People and Development team.

This training will raise awareness of how to identify and report fraud.

Council's Fraud Policy was presented to the External Governance Committee in April for feedback in the lead-up to its biennial review, due in July 2015.

Quarterly Director Questionnaire

The Director Questionnaire requires each Director to confirm that there have been no incidents of fraud or misappropriation, to confirm full compliance with contractual agreements and to identify any pending litigations. All issues are to be disclosed. A summary of this report is provided to the CEO. The most recent questionnaire was distributed in April 2015.

The questionnaire now contains two additional questions relating to risk:

- Have you identified all risks associated with the delivery of your directorate's service plan in the Operational Risk Register?
- Does your directorate have risk management processes in place consistent with Darebin's Council's Risk Management Policy and Framework and an internal control system in place that enables the directorate to understand, manage and satisfactorily control risk exposures?

Risk Management Assessment Tool

As previously reported in March 2015, the annual review of the Risk Management Assessment Tool was completed and endorsed by the Executive Management Team in February 2015. The following changes were made to the Financial/assets/ property harm criteria:

HARM		Insignificant	Minor Harm	Moderate Harm	Major Harm	Extreme Harm
Financial / assets / property damage	Was	Cost <\$10k	Cost from \$10k to \$99k	Cost from \$100k to 999k	Cost from \$1m to \$9.9m	Cost greater than \$10 million
	Revised	Cost <\$500k	Cost from \$500k to \$5m	Cost from \$5m to \$15m; mitigated by review of LTFP	Cost from \$15m to \$30m; mitigated by review of LTFP	Cost greater than \$30 million; leads to Council insolvency

Note: LTFP stands for Long Term Financial Plan

In addition all criteria in the Risk Management Assessment Tool were reviewed to ensure they are measurable either in relation to dollars, time or intervention levels.

Business Continuity Plan (BCP)

The BCP was completed in 2012 and reviewed in June 2013 via an extensive desk top exercise. The BCP is a comprehensive 67 page document that has been designed to assist Council to respond to business interruption events affecting the staff, facilities, operations and business of Council.

The BCP Committee, established in 2013, did not meet regularly in 2014. Meetings commenced again in February 2015 and a new, regular schedule has been set.

BCP subplans for each department were developed by a consultant in 2013 and training was undertaken with managers in March 2014. Since the last Audit Committee meeting in March 2015 meetings have been scheduled with each Manager to review and approve the subplans.

BCP Incident

In March 2015, there was a large scale blackout across Preston due to a vehicle accident. There was no power to the town hall offices and surrounding locations such as Preston Library when staff arrived at work. This event was a timely reminder of the importance of having a robust and accessible BCP in place. Fortunately, power was restored before the BCP was enacted, however many computer systems remained inaccessible for half a day. The incident provided the opportunity for a committee debriefing following the incident and there have been recommendations arising, which are currently being put into place and will be discussed at the next BCP Committee meeting in May 2015. The key issues were around communication. A pleasing outcome was that Council's IT back-up system was effective and no data was lost as a result of the incident.

To ensure Darebin Council has a robust and effective BCP plan the following actions are planned for the remainder of the 2014/2015 year:

Timing	Action
June 2015	<ul style="list-style-type: none"> Meetings with each manager to confirm their subplan
June 2015	<ul style="list-style-type: none"> BCP Committee meeting
July 2015	<ul style="list-style-type: none"> Desktop exercise to be undertaken

Insurance Premiums

Discussions surrounding Council's 2015/16 insurance renewals and policies have commenced with MAV Insurance and Council's Broker, JLT.

Following concerns in relation to the tendering process for property insurance, JLT will undertake a separate tender process for Darebin Council and other interested councils requesting quotes for provision of property insurance for 2016/17. Darebin will still have the opportunity to renew the current insurance policy with JMAPP (Jardine Lloyd Thompson Municipal Assets Protection Plan) should the other quotes be uncompetitive. Given that the process had already commenced for 2015/16, this will be initiated in 2016/17.

Insurance premiums fell in 2014/15 due to the influence of the global insurance industry. It is currently unclear if further reductions in insurance premiums will occur in 2015/16.

Claims Performance

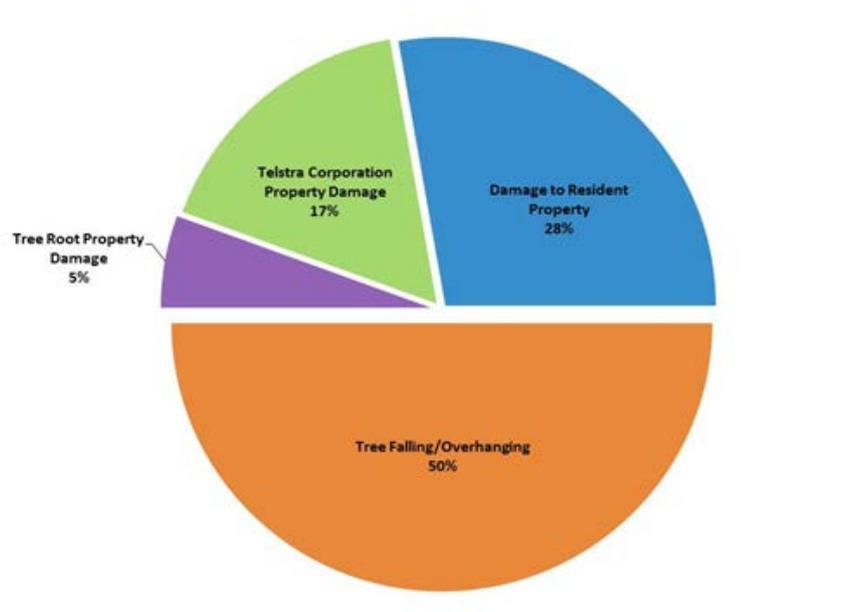
The table below outlines the type of under excess Public Liability Claims received and managed by Echelon Claims Services on behalf of Darebin City Council. Having an independent claims agent has assisted in the amount of successful denials and has maintained a consistent approach to the management of claims. The table below provides a breakdown on the type and status of liability claims.

Public Liability under Excess Claims 1 January 2015 – 31 March 2015

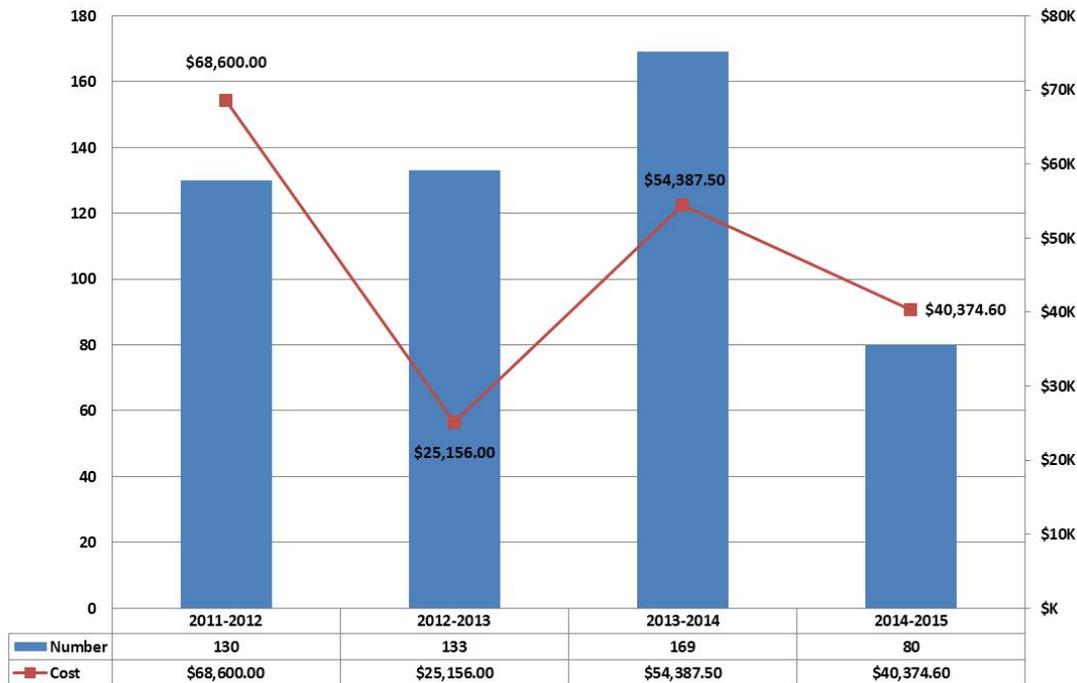
Type of Claims	Claims Received	Claims Finalised	Claims Active	Claims Denied	Claims Recovered	Estimated Costs	Amount Paid	Amount Denied [^]
Tree Falling/ Overhanging	9	3	6	2	0	\$15,393.68	\$461.45	\$3,256.26
Tree Root Property Damage	1	0	1	0	0	\$100.00	\$0.00	\$0.00
Trip and Fall	-	-	-	-	-	-	-	-
Vehicle Damage (Road Related)	-	-	-	-	-	-	-	-
Telstra Corporation Property Damage	3	0	3	0	0	\$2,239.89	\$0.00	\$0.00
Damage to Resident Property (due to Council Works)	5	2	3	1	0	\$6,785.00	\$185.00	\$0.00
Stormwater Damage	-	-	-	-	-	-	-	-
TOTAL	18	5	13	3	0	\$24,518.57	\$646.45	\$3,256.26

[^]Please note the denied claims are only based on the estimates that we have received.

Number of Claims Received 1 January 2015 - 31 March 2015



As can be seen in the graph above, trees contribute to a significant component of public liability claims made against Council.



The graph above displays a comparison of the last three financial years by number of claims and costs associated against such claims. In Q3 for 2014/15 Council received 18 claims and paid \$646.45 in settlement. For 2014/15 YTD, Council has received 80 claims and has paid \$40,374.60 in settlement.

POLICY IMPLICATIONS

Environmental Sustainability

Not applicable

Human Rights, Equity and Inclusion

Not applicable.

Economic Development

Not applicable

Other

The actions in this report have implications for the Risk Management Framework and Business Continuity Plan.

FINANCIAL AND RESOURCE IMPLICATIONS

Risks and hazards that are not well-managed leave Council exposed to greater expense which has implication on the costs of insuring our business and assets.

CONCLUSION

A full review of operational and strategic risk registers, fraud awareness training and regular discussion of current potential risk issues by the Executive Management Team strengthens and embeds risk management into Darebin Council's culture.

FUTURE ACTIONS

The minutes of the BCP Committee will be included in future risk management reports to the Audit Committee.

The completed Strategic Risk register will be provided to the Audit Committee at its next ordinary meeting in 2015.

Continue to provide regular briefings to the Audit Committee of Council's progress in its Risk Management Framework and Business Continuity Planning.

Strategic and operational risk registers to be presented to and discussed by EMT every six months consistent with the Audit Committee's request at its 24 November 2014 meeting.

Minutes of the Governance, Risk and Performance Committee to be reported to the Audit Committee.

DISCLOSURE OF INTERESTS

Section 80C of the *Local Government Act 1989* requires members of Council staff and persons engaged under contract to provide advice to Council to disclose any direct or indirect interest in a matter to which the advice relates.

The Officer reviewing this report, having made enquiries with relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

RELATED DOCUMENTS

Risk Management Framework

Business Continuity Plan

COMMITTEE RECOMMENDATION

MOVED: Mr Terry Richards

SECONDED: Cr Tim Laurence

THAT the Audit Committee receives and notes this report.

CARRIED

19. BUSINESS CONTINUITY COMMITTEE TERMS OF REFERENCE**AUTHOR:** Acting Director Corporate Services – Tiffany White**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

At its meeting of 2 March 2015, the Audit Committee requested that the terms of reference for Council's Business Continuity Committee be tabled at the next Audit Committee meeting.

The Business Continuity Committee's establishment document, produced in 2011, describes the role and responsibility of the Committee in relation to driving business continuity planning across Council, however detailed terms of reference were not developed and the establishment document has not been reviewed. A discussion to develop detailed terms of reference has been added to the agenda for the next BCP Committee in June 2015. The updated terms of reference will be tabled at the next Audit Committee meeting.

CONSULTATION:

Acting Manager Corporate Risk
Strategic Risk and Insurance Advisor

RECOMMENDATION

THAT this report be received and noted.

COMMITTEE RECOMMENDATION

MOVED: Dr Bruce Carroll

SECONDED: Mr Terry Richards

THAT this report be received and noted.

CARRIED

**20. GOVERNANCE, RISK AND CORPORATE PERFORMANCE
COMMITTEE MINUTES AND TERMS OF REFERENCE****AUTHOR:** Acting Director Corporate Services – Tiffany White**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

At its meeting of 24 November 2014, the Audit Committee requested that the minutes of Council's Governance, Risk and Performance Committee be tabled at Audit Committee meetings. At the Audit Committee meeting of 2 March 2015, the Chairperson requested that the Terms of Reference also be brought to the June 1 Audit Committee meeting.

The Governance, Risk and Performance Committee met on 15 April 2015. The minutes of that meeting, along with the Committee's Terms of Reference are attached to this report.

RECOMMENDATION

THAT the Governance, Risk and Performance Committee minutes attached as **Appendix A** to this report and the Terms of Reference attached as **Appendix B** to this report be received and noted.

COMMITTEE RECOMMENDATION

MOVED: Cr Tim Laurence**SECONDED:** Dr Bruce Carroll

THAT the Governance, Risk and Performance Committee minutes attached as **Appendix A** to this report and the Terms of Reference attached as **Appendix B** to this report be received and noted.

CARRIED

21. INTERNAL AUDIT PROGRESS REPORT**AUTHOR:** Acting Director Corporate Services – Tiffany White**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 2 March 2015.

CONSULTATION:

Acting Director Corporate Services
Senior Council Officers

RECOMMENDATION

THAT the attached Internal Audit Progress Report prepared by Crowe Horwath be received and noted.

COMMITTEE RECOMMENDATION

MOVED: Mr Terry Richards

SECONDED: Cr Tim Laurence

THAT the attached Internal Audit Progress Report prepared by Crowe Horwath be received and noted.

CARRIED

22. INTERNAL AUDIT REPORT – GIFTS AND DONATIONS**AUTHOR:** Acting Director Corporate Services – Tiffany White**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

As part of the implementation of Council's audit program, internal audit has undertaken a review of gifts and donations.

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

- Policy and procedures in relation to the disclosure of gifts and donations by Councillors (including any potential election fundraising activities).
- Training and awareness-raising undertaken by Council administration.
- Reporting and follow up undertaken.

Overall, the auditors found that the current controls in place over gifts and donations for councillors and staff maintained by Council are adequate. The report notes no issues of a high risk nature and identifies five low risks.

CONSULTATION:

Manager People and Development

Manager Governance and Corporate Performance

Manager Creative Culture

Manager Communication and Marketing

Coordinator Civic Services

Events and Marketing Projects Coordinator

Learning and Development Consultant

Governance Officer

RECOMMENDATION

THAT the attached report: Gifts and Donations for Councillors and Staff, prepared by the internal auditors, Crowe Horwath, be received and noted.

COMMITTEE RECOMMENDATION

MOVED: Cr Tim Laurence

SECONDED: Dr Bruce Carroll

THAT the attached report: Gifts and Donations for Councillors and Staff, prepared by the internal auditors, Crowe Horwath, be received and noted.

CARRIED

23. INTERNAL AUDIT REPORT – COMMUNITY GRANTS

AUTHOR: Acting Director Corporate Services – Tiffany White

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

As part of the implementation of Council's audit program, internal audit has undertaken a review of Council's Community Support Program (Community Grants).

The objective of the audit was to assess the level of compliance with Council's community support program policy and procedure in respect to the 2014/2015 community support program outcomes. In particular to:

- review compliance with the 2014/2015 community support program process; and
- consider and comment on any additional governance enhancements to be put in place for the 2015/16 community support process.

Overall the auditors found that Council had developed a well-controlled program for the 2014/15 year and was in the process of drafting enhancements for the 2015/16 program.

They noted that Council has developed and implemented a sound process with significant governance oversight through the use of independence declarations, and scrutiny and review from the Governance, Risk and Corporate Performance Committee (GRPCPC).

The auditors did not note any issues of a high risk nature and identified two medium and four low risks.

CONSULTATION:

Director Community Development
Manager Governance and Corporate Performance
Community Wellbeing Team Leader
Community Grants Officer

RECOMMENDATION

THAT the attached report: Internal Audit - Community Grants, prepared by the internal auditors, Crowe Horwath, be received and noted.

COMMITTEE RECOMMENDATION

MOVED: Cr Tim Laurence

SECONDED: Dr Bruce Carroll

THAT the attached report: Internal Audit - Community Grants, prepared by the internal auditors, Crowe Horwath, be received and noted.

CARRIED

24. INTERNAL AUDIT REPORT – MEMORANDUMS OF AUDIT PLANNING FOR UPCOMING AUDITS**AUTHOR:** Acting Director Corporate Services – Tiffany White**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

As part of the implementation of Council's audit program for 2015, Crowe Horwath has prepared memorandums of audit planning (MAPs) for two upcoming audits:

- *Privacy Management*
- *Follow-Up of Selected Higher Risk Matters Raised in Prior Internal Audit Reports Review*

These MAPs have been signed off by management.

CONSULTATION:

Executive Management Team

RECOMMENDATION

THAT the attached MAPs: Privacy Management and Follow-Up of Selected Higher Risk Matters Raised in Prior Internal Audit Reports Review, prepared by the internal auditors, Crowe Horwath, be received and noted.

COMMITTEE RECOMMENDATION

MOVED: Mr Terry Richards**SECONDED:** Cr Tim Laurence

THAT the attached MAPs: Privacy Management and Follow-Up of Selected Higher Risk Matters Raised in Prior Internal Audit Reports Review, prepared by the internal auditors, Crowe Horwath, be received and noted.

CARRIED

25. OUTSTANDING INTERNAL AUDIT ACTIONS

AUTHOR: Acting Director Corporate Services

REVIEWED BY: Chief Executive

SUMMARY

This report provides the Audit Committee with an update on progress towards implementing recommendations made in previous internal audit reports since the last Committee meeting on 2 March 2015.

Since the last meeting 5 out of a total of 35 outstanding actions have been completed. In the attached report the completed actions are highlighted in green. There are currently 30 actions remaining.

Actions not completed by their agreed due date

Of the actions remaining, 10 are well past their due date or have a revised date one year or more post the original action date. None are rated as high risks. These are described below with management explanations to account for the delay in implementation. All of these actions feature in the attached report with a more detailed history of progress towards implementing them:

Password Security – Implement stronger password settings for the network (Low)

Significant progress has been made to address this issue for core systems. More exploration and evaluation is required before live changes are made to SQL server accounts.

Primary Data Centre – Install an appropriate fire suppression and alarm system (Medium)

This action was dependent upon a capital budget bid. It is now at the tender stage.

Second Primary Data Centre – Install a fire suppression system at the library site (Medium)

This action was dependent on capital budget. The tender for the action above has incorporated this action as a possible option.

Review and update Asset Management Plans every four years (Low)

A number of these reviews have been delayed in order to incorporate new data and align with the draft DCP and 10 year capital works program.

Install signs for the reporting of faults in playgrounds (Low)

These signs were delayed until the new Darebin Signage Strategy is in place. Progress is now on track to meet revised date.

Implement policies and procedures to document current practices of Property Services (Medium)

Work is under way but delayed by resource.

Allocate the task of performing the tank dip to a staff member who does not have a fuel card and introduce fuel usage system recording software at Bundoora Park (Medium)
Partially complete. The software component of this action is dependent on a 15/16 capital bid.

Obtain a separate safe for cash takings and petty cash – Northcote Town Hall
Purchase has been deferred until 2015/16 financial year due to lack of available funds.

Install surveillance cameras with a view over the register – Northcote Town Hall (Medium)
Limited progress has been achieved however security cameras will be considered as part of an upcoming security review of the venue.

Food Act Compliance - Management should investigate the capabilities of Pathway in relation to allowing for system-generated scheduled inspection dates or to alter dates of actual inspection (Low)
This item has been deferred due to the need for core system modifications and attendant vendor quotes. Shared service options will be explored as a more cost-effective solution.

CONSULTATION

Senior Managers

RECOMMENDATION

THAT

- (1) The Audit Committee receives and notes this report
- (2) The Audit Committee considers whether it wishes to review reports on low, medium and high outstanding actions, or medium and high outstanding actions only.

COMMITTEE RECOMMENDATION

MOVED: Mr Terry Richards

SECONDED: Cr Tim Laurence

THAT

- (1) The Audit Committee receives and notes this report
- (2) The outstanding audit action status report brought to the Audit Committee cover all internal audit findings including completed actions marked for removal once reviewed by the Committee

CARRIED

**26. INTERNAL AUDIT: STRATEGIC AUDIT PLAN JANUARY 2015–
DECEMBER 2017****AUTHOR:** Acting Director Corporate Services – Tiffany White**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

The internal auditors, Crowe Horwath, were appointed to a new contract via a tender process conducted in February and April, with the new contract commencing from 1 May 2015.

The Strategic Audit Plan previously prepared by Crowe Horwath, updated as at May 2015, is submitted for the Audit Committee to review. The plan, which covers the period from January 2015 until December 2017, includes a detailed program for the 2015 calendar year.

CONSULTATION:

Acting Director Corporate Services

Senior Council Officers

RECOMMENDATION

THAT the attached Strategic Audit Plan January 2015 – December 2017 prepared by Crowe Horwath be reviewed to ensure its ongoing currency.

COMMITTEE RECOMMENDATION**MOVED:** Dr Bruce Carroll**SECONDED:** Mr Terry Richards**THAT**

- (1) the attached Strategic Audit Plan January 2015 – December 2017 prepared by Crowe Horwath be reviewed to ensure its ongoing currency
- (2) the program be recut according to a financial year basis
- (3) consideration be given by the Internal Auditor and Executive for a project related to Corporate Governance to be presented at the next ordinary meeting of the Audit Committee

CARRIED

**27. VAGO EXTERNAL AUDIT - INTERIM MANAGEMENT LETTER
FOR THE YEAR ENDED 30 JUNE 2015****AUTHOR:** Acting Director Corporate Services – Tiffany White**MANAGER:** Chief Executive – Rasiah Dev**SUMMARY:**

The Auditor-General has undertaken the interim phase of the financial report audit of Darebin City Council for the year ending 30 June 2015.

The interim management letter outlines deficiencies in the design and implementation of controls or other significant matters relevant to the financial reporting process during the interim phase of the audit.

CONSULTATION:

Director Corporate Services

Chief Financial Officer

Financial Accountant

RECOMMENDATION

THAT the attached report titled "*Darebin City Council – Interim Management Letter Year Ending 30 June 2015*" be received and noted.

COMMITTEE RECOMMENDATION**MOVED:** Cr Tim Laurence**SECONDED:** Dr Bruce Carroll

THAT the attached report titled "*Darebin City Council – Interim Management Letter Year Ending 30 June 2015*" be received and noted.

CARRIED

28. PROCUREMENT NON-CONFORMANCE REPORT

AUTHOR: Coordinator Governance – 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

RECOMMENDATION

THAT The Non Conformance Report as at 1 May 2015 attached at **Appendix A** to this report be received and noted.

REPORT

INTRODUCTION AND BACKGROUND

In accordance with section 186 of the *Local Government Act 1989* ('the Act') there is a requirement for Council to undertake procurement in an open and transparent manner and to publicly advertised for good and services (G&S) or works above \$150,000 incl. GST (G&S) or \$200,000 incl. GST (works).

ISSUES AND DISCUSSION

Since October 2013 the Procurement and Contracting team have been recording and reporting to the Executive Management Team any non-compliant procurement practices across Council.

To significantly minimise the risk around any non-compliance the Chief Executive gave approval to centralise all procurement and contracting across Council, where the value is equal to or greater than \$5,000 incl. GST. This included the requirement for the Procurement and Contracts team to either undertake or assist Business Unit in the undertaking of all procurement steps up to and including contract execution.

The centralisation of procurement and contracting does not include the ongoing management of contract deliverables for engagements over \$150,000 incl. GST, which continues to be undertaken by the relevant Business Unit.

To monitor the procurement non-compliance a new report commenced on the effective date of the centralisation of procurement and contracting processes.

It should be noted that there are no longer any breaches under S186 of the Local Government Act, which are purchases that require open public tendering or engagement through established panel arrangements. Council does acknowledge there are some minor breaches in relation to the procurement policy which falls under s186A (4) of the Local Government Act. Such breaches pertain to officers not following processes such as not referring procurements through Procurement Accreditation Committee (PAC) prior to obtaining sign off by the financial delegate. The Procurement team are working with the CEO and Executive Management Team in rectifying these minor breaches so as to be fully compliant with the procurement policy.

POLICY IMPLICATIONS

The report will continue to be prepared in accordance with the procurement policy.

FINANCIAL AND RESOURCE IMPLICATIONS

There are no financial or resource implications with this report.

CONCLUSION

That the attached s186 reports be noted and received.

FUTURE ACTIONS

Continue to monitor and report non-compliance to the Executive Management Team.

DISCLOSURE OF INTERESTS

Section 80C of the Local Government Act 1989 requires members of Council staff and persons engaged under contract to provide advice to Council to disclose any direct or indirect interest in a matter to which the advice relates.

The Officer reviewing this report, having made enquiries with relevant members of staff, reports that no disclosable interests have been raised in relation to this report.

RELATED DOCUMENTS

Local Government Act 1989

Procurement Policy

<p>COMMITTEE RECOMMENDATION</p>
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MOVED: **Cr Tim Laurence**

SECONDED: **Dr Bruce Carroll**

THAT

- (1) The Non Conformance Report as at 1 May 2015 attached at Appendix A to this report be received and noted.
- (2) In addition to the Non Conformance Report, a short briefing paper on Council's procurement process and direction be brought to the next ordinary meeting of the Audit Committee

CARRIED

29. SUMMARY OF EXTERNAL REPORTS WITH POTENTIAL IMPACTS FOR COUNCIL

AUTHOR: Acting Director Corporate Services - Tiffany White

MANAGER: Chief Executive – Rasiah Dev

SUMMARY:

This item lists the external reports Council is aware of that have potential impacts for Council. These reports will be reviewed in due course to identify any gaps or issues Council needs to address.

The Internal Audit Progress Report provided by Crowe Horwath under the Internal Audit section of the meeting agenda also lists some of these and other public sector reports of possible interest.

CONSULTATION:

Senior Council Officers

Internal Auditors

RECOMMENDATION

THAT the Audit Committee notes the information in this report.

REPORT

In the period since the Audit Committee of 2 March 2015, Council has become aware of the following external reports requiring its attention:

- IBAC: Review of integrity frameworks in six Victorian councils (March 2015)
- Ombudsman: Councils and Complaints – A report on current practice and issues (February 2015)
- VAGO: Effectiveness of support for Local Government (February 2015)
- VAGO: Local Government: Results of 2013-14 Audits (February 2015) – *Council has responded to this report in a separate item on the Audit Committee agenda.*
- VAGO: Proposed LG Performance audit program for 2015-2016
- Privacy Commissioner: Privacy by Design

COMMITTEE RECOMMENDATION

MOVED: Mr Terry Richards

SECONDED: Cr Tim Laurence

THAT

- (1) The Audit Committee notes the information in this report.
- (2) Self-Evaluation Gap Analysis will be undertaken over the course of the forthcoming period.

CARRIED

30. AUDITOR-GENERAL'S REPORT – LOCAL GOVERNMENT: RESULTS OF THE 2013-2014 AUDITS

AUTHOR: Financial Accountant – Michael O’Riordan

MANAGER: Acting Director Corporate Services – Tiffany White

**BUDGET
IMPLICATIONS:** Nil

SUMMARY:

The Auditor-General released his report on the 2013/14 audit results for local government in February 2015. This Audit Committee report provides an overview of Darebin City Council's comparative performance against the Auditor-General's financial sustainability measures.

CONSULTATION:

Victorian Auditor-General's Office
Executive Management Team

RECOMMENDATION

THAT this report titled *“Auditor-General's Report – Local Government: Results of the 2013-14 Audits”* be received and noted.

REPORT

BACKGROUND

The Auditor-General released his report on the 2013/14 audit results for local government in February 2015. For the seventh year, the Auditor-General included both recommendations for the sector arising from the local government audits, as well as a financial sustainability assessment of Councils.

CORE ISSUES

Results of audits

At September 30, 2014, clear audit opinions were issued on the financial statements and standard statements for all 103 local government entities. Clear audit opinions were also issued on all performance statements.

Internal controls

As part of the annual assessment of internal controls, the Auditor-General focussed on controls for the preparation of financial statements, the audit committee arrangements and controls over rate revenue. The Auditor-General set out a number of recommendations regarding the effectiveness of the preparation of financial statements, the audit committee arrangements and internal controls over creditors and grants within the sector.

No.	Recommendation
1	That Councils should: refine their financial reporting processes by strengthening their review and assurance procedures over the accuracy of data needed for financial statement preparation
2	continue to adjust all errors identified during audits to ensure their financial statements are of the highest possible quality.
3	familiarise themselves with the guidance material developed by Local Government Victoria and assess their readiness for the new performance reporting framework which is effective from 1 July 2014
4	review their systems and processes in place for capturing financial and non-financial data to determine whether there are sufficient processes in place to completely and accurately report on performance
5.	review and update their policies and procedures on creditors to include all key elements incorporated in better practice creditor management frameworks
6.	establish comprehensive overarching grant administration policies and procedures that are periodically reviewed
7.	ensure conflicts of interests declarations are completed by all staff undertaking grant assessments
8.	reinforce and ensure grant payments are appropriately acquitted
9.	rigorously monitor grants issued and establish periodic reporting to council
10.	periodically review grant administration practices and related policy compliance
11.	through audit committees, implement appropriate monitoring mechanisms to ensure our audit findings are addressed by management on a timely basis.

All recommendations in relation to the financial reporting processes have been implemented at Darebin. An internal audit review of Darebin's community grants administration system and compliance has been undertaken, all better practice items identified will be implemented where practical.

Financial sustainability

The Auditor-General performed an analysis of all 79 Councils against 6 indicators of financial sustainability. A high / medium / low rating is applied to each of these indicators and an overall red / yellow / green traffic light is displayed for each Council, based on a combination of the individual indicator results. The table below provides information on each of these indicators and Darebin's rating compared with the inner metropolitan council category. The overall Darebin rating was a medium risk of financial sustainability concerns. The risk rating has been upgraded from a low risk for the previous year. The medium risk rating for 2012/13 was impacted by the high risk rating attained for the self-financing % indicator.

Indicator	Formula	Risk rating	Impact on overall Council traffic light	Darebin / Category rating
Underlying result %	Adjusted net surplus / total underlying revenue Underlying revenue does not include non-cash developer contributions and other one-off adjustments.	High: < -10% Med: -10% to 0% Low: >0%	'High' risk underlying result % = Overall red light ('high' risk)	Darebin 3.58% (low) Inner metro 4.93% (low)
Liquidity	Current assets / current liabilities(*) Measures the ability to pay existing liabilities in the next 12 months.	High: <1.0 Med: 1.0 - 1.5 Low: >1.5	'High' risk liquidity ratio = Overall red light ('high' risk)	Darebin 1.64 (low) Inner metro 1.81 (low)
Indebtedness %	Non-current liabilities / own-sourced revenue Own-sourced revenue is used because it excludes capital grants, which are usually tied to specific projects.	High: >60% Medium: 40-60% Low: <40%	'High' risk indebtedness % = Overall yellow light ('medium' risk), if self-financing indicator is also high	Darebin 1.24% (low) Inner metro 13.99% (low)
Self-financing %	Net operating cash flows / underlying revenue Measures the ability to replace assets using cash generated from operations.	High: <10% Med: 10-20% Low: >20%	'High' risk self-financing % = Overall yellow light ('medium' risk), if indebtedness indicator is also high	Darebin 17.63% (Medium) Inner metro 20.51% (low)
Capital replacement	Capital expenditure / Depreciation Comparison of the rate of spending on infrastructure with its depreciation.	High: <1.0 Medium: 1.0 – 1.5 Low: >1.5	'High' risk capital replacement = Overall yellow light (medium risk)	Darebin 1.17 (medium) Inner metro 1.60 (low)
Renewal gap	Capital spend (renewal & upgrade) / depreciation Comparison of the rate of spending on existing assets through renewing, restoration and replacement with its depreciation.	High: <0.5 Medium: 0.5 – 1.0 Low: >1.0	'High' risk investment gap = Overall yellow light (medium risk)	Darebin 1.06 (low) Inner metro 1.22 (low)

Capital Replacement

The capital replacement measure compares spending on infrastructure with its depreciation. Ratios lower than 1 may indicate spending on capital works has not kept pace with the consumption of assets. Darebin's capital replacement gap ratio of 1.17 in 2014 may indicate that spending on asset renewal is insufficient. The A-G considers low risk of insufficient spending on asset renewal when the ratio is more than 1.5. Historically Darebin's ratio has been between 1 and 1.7 and is budgeted to be 1.88 as at 30 June 2015.

The inability to complete fully, the annual capital works program has adversely impacted the result of the capital replacement indicator.

FINANCIAL IMPLICATIONS

Darebin City Council was assessed as having four low risk indicators, and two medium risk indicator (2012/13: 4 low, 1 medium, 1 High), with an overall low risk rating or green traffic light which was downgraded from medium risk (yellow traffic light) the previous year. As previously mentioned the medium risk rating was allocated based on the high risk rating for self-financing, impacted by the payment in full of the defined benefit unfunded superannuation liability in 2012/13.

FUTURE ACTIONS

Advocacy with the Auditor-General's office in regard to reviewing the appropriateness of the indicators, particularly in relation to liquidity.

RELATED DOCUMENTS

Local Government: Results of the 2013-14 Audits – Victorian Auditor-General's Report, February 2015.

COMMITTEE RECOMMENDATION

MOVED: Dr Bruce Carroll

SECONDED: Cr Tim Laurence

THAT this report titled "*Auditor-General's Report – Local Government: Results of the 2013-14 Audits*" be received and noted.

CARRIED

31. OTHER BUSINESS

Nil

32. NEXT MEETING

The next meeting of the Audit Committee will be held at 2:30 pm on Monday 31 August 2015 in the Conference Room at Darebin City Council, 350 High Street, Preston.

The Chairperson told members that he hoped a draft work plan would be up at this meeting.

Messrs Dev, O’Riordan, Szpak, Loughnan, Ms White and Ms Close left the meeting at 5:22 pm.

33. 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 to discuss any matters that the Audit Committee or the internal auditor believe should be discussed privately.

An In-Camera discussion was held with the Internal Auditor Crowe Horwath. Messrs Said, Richards, Thompson, Dr Carroll, Cr Laurence and Ms Nitchov were in attendance.

THE MEETING CONCLUDED AT 5:28 PM