

APPENDIX A



SUMMARY REPORT

AUDIT COMMITTEE

MEETING HELD ON

22 NOVEMBER 2010

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**AUDIT COMMITTEE MEETING OF THE
DAREBIN CITY COUNCIL HELD AT DAREBIN CIVIC CENTRE,
350 HIGH ST, PRESTON ON MONDAY, 22 NOVEMBER 2010**

THE MEETING OPENED AT 3.35PM

1. PRESENT

Members:

Ms Merran Kelsall – Chairperson
Mr Albert Zago – Independent External Member
Cr Gaetano Greco – Committee Member
Cr Diana Asmar – Committee Member

External Auditors:

Mr Robert Wernli - DFK Collins

Internal Auditors:

Mr Jason Agnoletto – PricewaterhouseCoopers
Mr Mark Trajcevski – PricewaterhouseCoopers
Ms Michelle Brunacci – PricewaterhouseCoopers

Officers:

Mr Rasiah Dev – Chief Executive
Mr Bruce Dobson – Director Corporate and Business Services
Ms Kerrie Jordan – Chief Financial Officer
Ms Gracie Valenti – Corporate Risk Management Senior Coordinator
Ms Sharon Hutchinson – A/Group Manager People and Performance
Ms Sally Curran – Manager Corporate Governance
Ms Katina Angelofsky – A/Manager Organisational Support and Development

Minutes:

Ms Marisa Schiavello

2. APOLOGIES

Mr David Ashmore – Independent External Member

3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

COMMITTEE DECISION

MOVED: Mr Albert Zago
SECONDED: Cr Diana Asmar

THAT the Minutes of the Audit Committee Meeting held on 26 August 2010 be confirmed.

CARRIED

4. MATTERS ARISING FROM PREVIOUS MEETING

Reports:

- Audit Committee Self Assessment Questionnaire – included in Item 15 – Status of Self Assessment Implementation Plan.

Deferred to February Audit Committee Meeting:

- Capital Works
- Framework and Approval of Council Policies and Procedures
- Essential Services Commission
- Audit Committee Implementation Plan Status – Annual Compliance Report

5. DISCLOSURES OF CONFLICT OF INTEREST

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

Item 16 – Councillor Support and Expenses – Quarterly Report

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

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

Item 17 – Related Party Transactions 2009/2010

Cr Greco disclosed a conflict of interest on this item classifying the type of interest as an indirect interest because of conflicting duties as he holds a remunerated position as a director on a board of an organisation that has a direct interest in the Related Parties Transactions 2009/10 report. Cr Greco left the meeting prior to discussion of that item.

6. REGISTER OF INTERESTS

The Chairperson invited members to declare any changes to their record of members' pecuniary interests. The following are a permanent record of members' disclosures and will remain until retracted by the member concerned.

Ms Merran Kelsall

- Melbourne Water
- RACV
- Department of Innovation, Industry and Regional Development
- National Gallery of Victoria

Mr Albert Zago

- Nil

Mr David Ashmore

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

Cr Gaetano Greco

- Darebin Business Centre Ltd
- Inner Northern Group Training Ltd

Cr Diana Asmar

Nil

UPDATE ON ORGANISATION STRUCTURE REVIEW

Mr Dev briefed the Committee on the organisation restructure that had recently taken place. He advised that since arriving at Darebin he had developed a long term business plan and organisational structure to ensure viability into the future.

Mr Dev spoke of the new structure and advised the directorates were:

- City Design and Environment
- City Works and Development
- Community Services
- Corporate and Business Services; and
- People and Performance.

Long Term Plan

Mr Dev undertook to provide the Audit Committee with a copy of the new structure and long term plan. Ms Kelsall advised it was important for the Audit Committee to understand the long term vision and plan of the organisation and to be kept informed of any changes.

Directors

Mr Dev advised that interviews had taken place for the positions of Director City Design and Environment and Group Manager People and Performance with appointments imminent. The position of Group Manager Community Services would also be considered.

7. INTERNAL AUDIT REPORT – MANAGEMENT OF RECRUITMENT AGENCIES REVIEW

AUTHOR: Director Corporate and Business Services – Bruce Dobson

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

In accordance with Darebin City Council's 2010 Internal Audit Plan, PricewaterhouseCoopers (PwC) undertook a review of Council's key processes and associated controls surrounding its use of agencies and consultants for temporary employment services.

The objective of the assignment was to review and consider Council's processes and controls over the use of recruitment agencies and consultants. The review focussed on the following key areas:

- Reviewing Council's adherence to relevant policies and procedures surrounding the use of agencies and consultants for temporary employment services; and
- Reviewing the processes undertaken by Council areas to engage the recruitment agencies for the use of temporary staff.

The review was completed by examining relevant documentation, limited sample testing and meeting with key personnel across various areas of Council.

PwC report that the review identified seven issues for which action plans and timeframes have been agreed with management.

CONSULTATION:

Acting Group Manager People and Performance

COMMITTEE RECOMMENDATION

MOVED: Cr Diana Asmar
SECONDED: Cr Gaetano Greco

THAT the attached report titled "*Management of Recruitment Agencies Review*" prepared by the Internal Auditors be received and noted.

CARRIED

[Ms Angelofsky left the meeting at 3.55pm]

8. INTERNAL AUDIT REPORT – BUSINESS CONTINUITY PLANNING AND DISASTER RECOVERY PLANNING REVIEW

AUTHOR: Director Corporate and Business Services – Bruce Dobson

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

In accordance with Darebin City Council's 2010 Internal Audit Plan, PricewaterhouseCoopers (PwC) undertook a review of Council's key controls surrounding business continuity planning (BCP) and disaster recovery planning (DRP).

The objective of the assignment was to review and consider Council's processes and controls over BCP and DRP and the control environment in which they operate. The review focussed on the following key areas:

- Business Continuity Management at Darebin City council – reviewing at a high level:
 - The definition, initiation and management of business continuity activities;
 - Business Impact Analysis;
 - Development and documentation of BCPs, recovery strategies;
 - Business area business continuity and DRP maintenance.
- Key gaps against better practice policies and standards – reviewing key considerations against key criteria contained within business Continuity Management (HB262:2004), CoBIT (Governance, Control and Audit for Information and Related Technology) and good practice key disaster recovery elements.

The review was completed by examining relevant documentation and meeting with key personnel.

PwC report that the review identified seven issues for which action plans and timeframes have been agreed with management.

CONSULTATION:

Acting Group Manager People and Performance
Senior Coordinator Corporate Risk Management
Chief Information Officer

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Gaetano Greco

THAT the attached report titled *“Business Continuity Planning and Disaster Recovery Planning Review”* prepared by the Internal Auditors, be received and noted.

CARRIED

[Cr Asmar left the meeting during discussion of this item at 3.56pm and re-entered the meeting at 4.05pm]

[Ms Hutchinson left the meeting at 4.15pm]

[Ms Curran entered the meeting at 4.16pm]

9. INTERNAL AUDIT REPORT – VICROADS CONFIDENTIALITY REVIEW 2009/10

AUTHOR: Director Corporate and Business Services – Bruce Dobson

REVIEWED BY: Chief Executive - Rasiah Dev

SUMMARY:

PricewaterhouseCoopers (PwC) conducted a review in accordance with VicRoads “Statements of Compliance” of Darebin City Council’s access to confidential information obtained from VicRoads for the period 1 July 2009 to 30 June 2010.

The objective of the assignment was to review and consider the key controls surrounding access to VicRoads information in order for Council to provide annual certification to VicRoads regarding its compliance with the Agreement for the review period.

The review focussed on:

- Purposes of obtaining VicRoads information;
- User access to VicRoads information; and
- Information confidentiality, security and access processes.

The review was completed by interviewing Council’s key business users and Information Services staff and by reviewing a sample of appropriate documentation.

PwC report that the review identified one C-rated issue for which an action plan and timeframe has been agreed to by management.

CONSULTATION:

Manager Amenity and Enforcement
Senior Council Officers

COMMITTEE RECOMMENDATION

MOVED: Cr Diana Asmar
SECONDED: Mr Albert Zago

THAT the attached report titled “*VicRoads Confidentiality Report*” prepared by the Internal Auditors be received and noted.

CARRIED

10. INTERNAL AUDIT REPORT – DRAFT STRATEGIC INTERNAL AUDIT PLAN 2011-2012

AUTHOR: Director Corporate and Business Services – Bruce Dobson

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

PwC has prepared a draft Strategic Internal Audit Plan for 2011-2012. The Plan focuses on key risk areas across Council and has been developed through:

- Interviewing the Executive Management Team to update understanding of key risk areas and where internal audit involvement could add value through relevant and timely input into the implementation of key processes, systems or strategies;
- Reviewing available corporate information including council's risk related documentation and the Darebin City Council Strategic Resource Plan;
- Reviewing past internal audit activity; and
- Understanding key changes, strategies and/or initiatives Council is currently undertaking.

Each proposed project has been categorised into one of the following review types:

- Compliance;
- Operational;
- Information Technology; and
- Strategic.

The Audit Committee is requested to consider the Draft Plan prior to its implementation.

CONSULTATION:

Audit Committee
Director Corporate and Business Services
Executive Management Team

COMMITTEE RECOMMENDATION

MOVED: Cr Diana Asmar
SECONDED: Mr Albert Zago

THAT the attached report titled "*Draft Strategic Internal Audit Plan 2011-2012*" prepared by the Internal Auditors be received and noted with a view to endorsing the Plan at the Audit Committee meeting in February 2011.

CARRIED

[Mr Dev left the meeting during discussion of this item at 4.22pm and re-entered the meeting at 4.30pm]

[Mr Dobson left the meeting during discussion of this item at 4.35pm and re-entered the meeting at 4.38pm]

11. INTERNAL AUDIT REPORT – INTERNAL AUDIT ACTIVITY**AUTHOR:** Director Corporate and Business Services – Bruce Dobson**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

The Internal Auditors, PricewaterhouseCoopers (PwC) have prepared a report to update the Audit Committee on the status of Council's Internal Audit Activity since the last meeting on 26 August 2010. The report also includes a section titled Internal Audit Topics featuring an article on 'Stepping Up to Accountability'.

CONSULTATION:

Director Corporate & Business Services
Senior Council Officers

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Diana Asmar

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

CARRIED

12. FOLLOW UP ON OUTSTANDING AUDIT ACTIONS

AUTHOR: Director Corporate and Business Services – Bruce Dobson

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

Management has prepared a report to update the Committee on progress made to date by Council Officers on the implementation of recommendations made in previous internal and external audit reports since the last Committee meeting on 26 August 2010.

CONSULTATION:

Senior Council Officers

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Diana Asmar

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

CARRIED

13. FINANCIAL REPORT – 4 MONTHS ENDED 31 OCTOBER 2010**AUTHOR:** Financial Accountant – Michael O’Riordan**REVIEWED BY:** Director Corporate and Business Services - Bruce Dobson**SUMMARY:**

A comprehensive financial review has been undertaken for the four months ended 31 October 2010 to assess the financial performance of Council year-to-date. The outcome of the review indicates that Council has achieved a YTD operating surplus of \$58.5 million and capital works expenditure of \$5.7 million. All material variations have been explained in the report.

CONSULTATION:

Managers and Co-ordinators

COMMITTEE RECOMMENDATION**MOVED:** Cr Gaetano Greco**SECONDED:** Cr Diana Asmar

THAT the contents of the “Financial Report for the four months ended 31 October 2010” included as **Appendix A** to this report be received and the year-to-date actual and budget operating and capital results be noted.

CARRIED

[Mr Dobson left the meeting during discussion of this item at 4.52pm]

[Mr Dobson re-entered the meeting at 4.55pm]

14. RISK MANAGEMENT FRAMEWORK

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

REVIEWED BY: A/Group Manager People and Performance – Sharon Hutchinson

SUMMARY:

A review of the operational risks with an identified high residual risk rating has been conducted for the September quarter and progress comments are included in this report. In addition the review of Council's strategic risk has recently been undertaken with the Chief Executive and A/Group Manager People and Performance taking the Australian CEO's identified strategic risks into consideration. The Executive Management Team will receive Council's revised strategic risks in November for further consultation and confirmation prior to implementation in Planning Central in December 2010.

Further review of the risk module within Planning Central has been conducted involving discussions with Banyule City Council who have fully implemented the system. The risk module has the capacity to accurately define likelihood and consequence to appropriately assign risk ratings as well as reporting capabilities to monitor treatment actions.

Since the appointment of the Senior Co-ordinator Corporate Risk Management, a review of key priorities has been undertaken including Council's:

- claims management process;
- risk management framework;
- strategic risks;
- operational risks; and
- business continuity planning.

CONSULTATION:

Executive Management Team
Council Officers

COMMITTEE RECOMMENDATION

MOVED: Cr Diana Asmar
SECONDED: Cr Gaetano Greco

THAT this report regarding the Risk Management Framework be received and noted.

CARRIED

[Mr Dev left the meeting at 4.58pm]

15. STATUS OF SELF ASSESSMENT IMPLEMENTATION PLAN

AUTHOR: Director Corporate and Business Services – Bruce Dobson

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

At its meeting on 1 December 2009 the Audit Committee made a number of recommendations on improving its performance. An implementation plan was prepared for the Committee's meeting on 3 March 2010 where the Committee resolved that the implementation plan should become a standing item. The Plan has been updated since the Committee's last meeting on 26 August 2010.

CONSULTATION:

Audit Committee
Senior Council Officers

COMMITTEE RECOMMENDATION

MOVED: Cr Diana Asmar
SECONDED: Cr Gaetano Greco

THAT this report on the status of recommended actions resulting from the Annual Self Assessment be received and noted.

CARRIED

[Mr Trajcevski left the meeting during discussion of this item at 5.04pm]
[Mr Trajcevski re-entered the meeting at 5.05pm]
[Mr Dev re-entered the meeting at 5.06pm]

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

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

Cr Asmar and Cr Greco left the meeting prior to the consideration of this item at 5.07pm.

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

16. COUNCILLOR SUPPORT AND EXPENSES – QUARTERLY REPORT

AUTHOR: **Manager Corporate Governance – Sally Curran**

REVIEWED BY: **Director Corporate and Business Services – Bruce Dobson**

SUMMARY:

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

This report provides the summary of expenses for the quarter – July to September 2010.

Cr Greco disclosed a conflict of interest on this item classifying the type of interest as an indirect interest because of conflicting duties as he holds a remunerated position as a director on a board of an organisation that has a direct interest in the Related Parties Transactions 2009/2010 report. Cr Greco was not present during discussion of this item.

17. RELATED PARTY TRANSACTIONS 2009/2010

AUTHOR: Governance Manager – Sally Curran

REVIEWED BY: Director Corporate and Business Services – Bruce Dobson

SUMMARY:

At its meeting in February 2008, the Audit Committee endorsed a proposal for a report on related party transactions to be submitted to the Audit Committee each financial year.

A review of registrable interests and financial transactions for the 2009/2010 financial year has disclosed several related party transactions. The transactions are outlined in this report.

CONSULTATION:

Financial Accountant

Coordinator Procurement and Contracts

COMMITTEE RECOMMENDATION

MOVED: Ms Merran Kelsall

SECONDED: Mr Albert Zago

THAT this report on related party transactions for 2009/2010 be received and noted.

CARRIED

18. EMPLOYEE CODE OF CONDUCT

AUTHOR: Governance Manager – Sally Curran

REVIEWED BY: Director Corporate and Business Services – Bruce Dobson

SUMMARY:

This report provides an overview of the employee Code of Conduct *Excellence in Governance @ Darebin* which includes requirements relating to the Gifts and Hospitality Register.

CONSULTATION:

Acting Manager Organisation Support and Development

COMMITTEE RECOMMENDATION

MOVED: Mr Albert Zago
SECONDED: Cr Gaetano Greco

THAT the Audit Committee receive and note the report.

CARRIED

[Cr Greco re-entered the meeting during discussion of this item at 5.15pm]

**19. LOCAL GOVERNMENT ACT 1989 AND LOCAL GOVERNMENT
(GENERAL) REGULATION AMENDMENTS****AUTHOR:** Governance Manager – Sally Curran**REVIEWED BY:** Director Corporate and Business Services – Bruce Dobson**SUMMARY:**

On 27 September 2010, the Local Government and Planning Legislation Amendment Act commenced. The amendments included in the Act include changes to the conflict of interest provisions, electoral representation reviews and technical amendments to the Local Government Act 1989 and amendments to the Planning and Environment Act 1987.

This report summarises the key changes to the Local Government Act 1989 and the implementation actions to ensure widespread understanding and compliance with the provisions.

CONSULTATION:**COMMITTEE RECOMMENDATION****MOVED:** Mr Albert Zago
SECONDED: Cr Gaetano Greco**THAT** the Audit Committee receive and note the report.**CARRIED**

[Mr Wernli left the meeting during discussion of this item at 4.18pm]

[Cr Asmar re-entered the meeting at 4.18pm]

[Mr Wernli re-entered the meeting at 4.20pm]

20. PROCUREMENT POLICY AND GUIDELINES

AUTHOR: Chief Financial Officer – Kerrie Jordan

REVIEWED BY: Director Corporate and Business Services - Bruce Dobson

SUMMARY:

Changes made to the *Local Government Act 1989* ('the Act') require Council to annually review its procurement policy. The proposed policy will apply to all procurement and contracting activities at Council and is binding upon Council officers, outsourced contractors and consultants whilst engaged by and/or representing Council.

This report sets out the revised key procurement policy principles and guidelines for consideration by the audit committee before being presented for Council approval.

CONSULTATION:

Branch Managers
Environmental Strategy

COMMITTEE RECOMMENDATION

MOVED: Cr Diana Asmar
SECONDED: Cr Gaetano Greco

THAT the *Procurement Policy and Guidelines* attached as **Appendix A** to this report be received and noted.

CARRIED

**21. AUDITOR-GENERAL'S REPORT – DAREBIN FINANCIAL
SUSTAINABILITY RATIOS****AUTHOR:** Chief Financial Officer – Kerrie Jordan**REVIEWED BY:** Director Corporate and Business Services – Bruce Dobson**SUMMARY:**

The Auditor-General releases a report each year on the audit results for local government. The report for the 2009/2010 year will not be released until after the State Government election, however the financial sustainability indicators for Darebin which will be included in the report have been made available for review and verification by Darebin. This report for the Audit Committee summarises Darebin City Council's comparative performance against the Auditor-General's financial sustainability measures.

CONSULTATION:

Victorian Auditor-General's Office
Executive Management Team

COMMITTEE RECOMMENDATION**MOVED:** Cr Diana Asmar
SECONDED: Mr Albert Zago

THAT this report titled "*Auditor-General's Report – Darebin Financial Sustainability Ratios*" be received and noted.

CARRIED

22. CALENDAR OF EVENTS

AUTHOR: Director Corporate and Business Services – Bruce Dobson

REVIEWED BY: Chief Executive – Rasiah Dev

SUMMARY:

The Audit Committee has requested an update on the high level reports expected to be tabled at future meetings. A table has been prepared which shows the reports to be tabled for the following four meetings to be held in February, May, August and November 2011. At the Committee's request, changes to the calendar are highlighted in bold lettering.

CONSULTATION:

PricewaterhouseCoopers (PwC)

COMMITTEE RECOMMENDATION

MOVED: Cr Diana Asmar
SECONDED: Mr Albert Zago

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

CARRIED

23. OTHER BUSINESS

Nil.

24. NEXT MEETING/S

The following dates for Audit Committee meetings during 2011 were confirmed:

Tuesday, 1 March 2011 at 3.30pm in the Conference Room
Monday, 30 May 2011 at 3.30pm in the Conference Room
Monday, 29 August 2011 at 3.30pm in the Conference Room
Monday, 21 November 2011 at 3.30pm in the Conference Room

25. IN CAMERA DISCUSSION

At 5.30pm Crs Asmar and Greco, Messrs Dev and Dobson, Ms Jordan, Ms Curran, Ms Valenti and Ms Schiavello left the meeting. The meeting continued in-camera with Ms Kelsall and Ms Brunacci, Messrs Zago, Wernli, Agnoletto and Trajcevski in attendance.

THE MEETING CLOSED AT 5.30PM