



# **SUMMARY REPORT**

**AUDIT COMMITTEE**

**MEETING HELD ON**

**4 MARCH 2013**

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**AUDIT COMMITTEE MEETING OF THE  
DAREBIN CITY COUNCIL HELD AT DAREBIN CIVIC CENTRE,  
350 HIGH ST, PRESTON ON MONDAY, 4 MARCH 2013**

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**THE MEETING OPENED AT 3.35PM**

**1. PRESENT**

**Members:**

Mr David Ashmore – Chairperson  
Mr Albert Zago – Independent External Member  
Dr Bruce Carroll – Independent External Member  
Cr Tim Laurence (Mayor) – Committee Member  
Cr Gaetano Greco (Deputy Mayor) – Committee Member

**Internal Auditors:**

Mr Garry Leon – Crowe Horwath

**External Auditors:**

Mr Robert Wernli - DFK Collins

**Officers:**

Ms Kerrie Jordan – A/Director Corporate and Business Services  
Mr Damian Robertson – A/Chief Financial Officer  
Mr Michael O’Riordan – Financial Accountant  
Ms Gracie Valenti – Senior Coordinator Corporate Risk Management

**Minutes:**

Ms Marisa Schiavello

**2. APOLOGIES**

Mr Martin Thompson – Crowe Horwath  
Mr Rasiah Dev – Chief Executive

**3. CONFIRMATION OF MINUTES OF PREVIOUS MEETING**

<b>COMMITTEE DECISION</b>
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**MOVED: Mr Albert Zago**  
**SECONDED: Dr Bruce Carroll**

**THAT** the Minutes of the Audit Committee Meeting held on Monday, 17 December 2012 be confirmed.

**CARRIED**

#### 4. MATTERS ARISING FROM PREVIOUS MEETING

- Risk Management Policy and Framework – Refer Item 7
- Council's WorkCover Status and Future Actions – Refer Item 8
- Underlying Operating Result – Refer Item 12

Deferred:

- **Equity and Inclusion - Update**  
Ms Jordan explained that development of the EIPAT was in progress and a further update would be provided at the Committee's next meeting in June 2013.
- **IT Systems/Controls - Update**  
At its meeting on 17 December 2012, the Audit Committee required Council Officers undertake an organisation review to ensure Council's plan was integrated with the IT vision of the organisation and an overarching policy be provided to the Audit Committee. (Information Services is currently undertaking a review of the Information Services Strategy which will be provided to the Audit Committee during the second half of 2013.)

#### 5. DISCLOSURES OF CONFLICT OF INTEREST

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

##### **Item 21: Councillor Support and Expenses Report**

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

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

#### 6. REGISTER OF INTERESTS

The Chairperson invited members to declare any changes to their record of members' pecuniary interests. Mr Ashmore declared an interest in the Victorian Responsible Gaming Foundation and the register has been updated to reflect the change.

The following are a permanent record of members' disclosures and will remain until retracted by the member concerned.

##### **Mr David Ashmore**

- Grant Thornton Australia Ltd
- Regional Kitchen Pty Ltd
- Moonee Valley City Council
- Boroondara City Council
- Hobsons Bay City Council
- Greater Dandenong City Council
- Safe Roads Ltd
- Victorian Responsible Gaming Foundation

**Mr Albert Zago**

- Nil

**Dr Bruce Carroll**

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

**Cr Tim Laurence**

- Bundoora Homestead
- Municipal Association of Victoria (MAV)

**Cr Gaetano Greco**

- Inner Northern Group Training Board (INGT)
- A-Plus
- Bundoora Homestead
- Municipal Association of Victoria (MAV)

**Changes to the Agenda**

At this point in the meeting, changes were made to the order in which reports were dealt with. The reports were discussed in the following order.

- Item 8: Council's WorkCover Status and Future Actions
- Item 7: Risk Management Framework and Business Continuity Planning
- Item 9: Audit Strategy for the Year Ending 30 June 2013
- Item 12: Underlying Operating Result
- Item 15: Financial Reporting Developments
- Item 19: Auditor-General's Report – Local Government: Results of the 2011-12 Audits
- Item 10: Internal Audit Report – Annual Audit Plan – 2013-2014
- Item 11: Internal Audit Report – Progress Report
- Item 13: Follow up on Outstanding Audit Actions
- Item 14: Financial Report – 6 Months Ended 31 December 2012
- Item 16: Background Financial Information
- Item 17: Investment Performance Report – 6 Months Ended 31 December 2012
- Item 18: Capital Works Program – December 2012 Performance Report
- Item 20: Calendar of Events
- Item 23: Next Meetings
- Item 22: Other Business
- Item 21: Councillor Support and Expenses Report
- Item 24: In Camera Discussion

## 7. RISK MANAGEMENT FRAMEWORK AND BUSINESS CONTINUITY PLANNING

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

**REVIEWED BY:** Group Manager People and Performance – Fred Warner

### SUMMARY:

The Audit Committee requested that the Senior Coordinator Corporate Risk Management, provide regular briefings to the Audit Committee on the implementation of Council's Risk Management Framework and Business Continuity Planning.

This report provides an in depth update of Council's current risk management status in relation to its Risk Management Policy and Framework, Strategic and Operational Risk Registers, Interplan Risk Module, Liability Mutual Insurance Public Liability and Professional Liability Audit, and Business Continuity Planning.

A demonstration of the Risk Module within Interplan will be performed at the meeting on Monday, 4 March 2013 to illustrate how strategic and operational risks are recorded, monitored and reviewed.

### CONSULTATION:

Executive Management Team  
Council Officers  
External stakeholders

### COMMITTEE RECOMMENDATION

**MOVED:** Mr Albert Zago  
**SECONDED:** Dr Bruce Carroll

**THAT** this report regarding the Risk Management Framework and Business Continuity Planning be received and noted.

**CARRIED**

[Mr Robertson left the meeting during discussion of this item at 4.25pm and re-entered the meeting at 4.26pm]

[Mr O'Riordan left the meeting during discussion of this item at 4.45pm and re-entered the meeting at 4.50pm]

## 8. COUNCIL'S WORKCOVER STATUS AND FUTURE ACTIONS

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

**REVIEWED BY:** Group Manager People and Performance – Fred Warner

### SUMMARY:

The Audit Committee requested that it be kept informed on an annual basis of Council's WorkCover performance along with key strategies to reduce WorkCover costs.

Therefore, this paper outlines Council's current claims profile, premium costs and projection for 2013/14, current environmental challenges as well as positive and proactive intervention programs and strategies to improve early intervention, enhance injury management and reduce the delay in return to work of our injured employees.

### CONSULTATION:

Executive Management Team  
Council Officers  
WorkCover Agent - CGU

## COMMITTEE RECOMMENDATION

**MOVED:** Mr Albert Zago  
**SECONDED:** Dr Bruce Carroll

**THAT** this report regarding WorkCover be received and noted with concern at the progressive escalation of the claims costs and premium, and the Audit Committee is of the view that further actions are needed to further review and address the causes in the areas of operations that are responsible for the increase.

**CARRIED**

**9. AUDIT STRATEGY FOR THE YEAR ENDING 30 JUNE 2013****AUTHOR:** Acting Director Corporate and Business Services – Kerrie Jordan**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

Mr Rob Wernli, Partner, DFK Collins, will present the Audit Strategy for Darebin City Council for the year ending 30 June 2013. The Strategy has been prepared to communicate the approach to the audit, the results of which will be tabled in Parliament in late 2013.

**CONSULTATION:**

Acting Chief Financial Officer  
Financial Accountant

**COMMITTEE RECOMMENDATION****MOVED:** Dr Bruce Carroll**SECONDED:** Mr Albert Zago

**THAT** the attached report titled '*Darebin City Council Audit Strategy - Financial Year Ending 30 June 2013*' be received and noted.

**CARRIED**



**10. INTERNAL AUDIT REPORT –ANNUAL AUDIT PLAN – 2013 TO 2014**

**AUTHOR:** Acting Director Corporate and Business Services – Kerrie Jordan

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

**SUMMARY:**

Crowe Horwath has been contracted to provide internal audit services to Darebin City Council and has undertaken a range of projects in accordance with the Strategic Audit Plan. After due consideration, the proposed audit projects for the 2013 year are:

- Maternal & Child Health
- Capital Works Management
- Fraud Management and Prevention
- Playground Maintenance
- VicRoads Confidentiality Agreement Signoff
- Waste Handling – Landfill Collection
- Core Functions (Year 2) Cash Receipting, Payroll, Petty Cash
- Fleet Management
- Property Portfolio Management
- Follow up of past audit recommendations
- Strategic Annual Internal Audit Plan development

**CONSULTATION:**

Senior Council Officers

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Albert Zago  
**SECONDED:** Dr Bruce Carroll

**THAT** the attached report titled '*Darebin City Council Annual Audit Plan – 2013 to 2014*' prepared by the Internal Auditors be endorsed.

**CARRIED**

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**11. INTERNAL AUDIT REPORT – PROGRESS REPORT**

**AUTHOR:** Acting Director Corporate and Business Services – Kerrie Jordan

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

**SUMMARY:**

The Internal Auditors, Crowe Horwath, have prepared a report to update the Audit Committee on Council's internal audit activity for the period January 2013 to December 2013. A further update will be provided for the Committee at its next meeting on 3 June 2013.

**CONSULTATION**

Senior Council Officers

<b>COMMITTEE RECOMMENDATION</b>
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**MOVED:** Dr Bruce Carroll

**SECONDED:** Mr Albert Zago

**THAT** the attached report titled "*Internal Audit Progress Report – Projects from – January 2013 to December 2013*" prepared by Crowe Horwath be received and noted.

**CARRIED**

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## 12. UNDERLYING OPERATING RESULT

**AUTHOR:** Financial Accountant - Michael O'Riordan

**REVIEWED BY:** Acting Chief Financial Officer – Damian Robertson

**BUDGET  
IMPLICATIONS:** Nil

**SUMMARY:**

This report provides a brief overview of the reasons and background for including 'Note 2 – *Underlying Operational Result*' in the 2011/12 Annual Financial Report as requested by the Audit Committee.

**CONSULTATION:**

Nil

<b>COMMITTEE RECOMMENDATION</b>
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**MOVED:** Dr Bruce Carroll

**SECONDED:** Mr Albert Zago

**THAT** this report on underlying operational result be received and noted.

**CARRIED**

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### 13. FOLLOW UP ON OUTSTANDING AUDIT ACTIONS

**AUTHOR:** Acting Director Corporate and Business Services – Kerrie Jordan

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

**SUMMARY:**

A report has been prepared to update the Committee on progress made to date by Council Officers on the implementation of recommendations made in previous internal and external reports since the last Audit Committee meeting on 17 December 2012.

**CONSULTATION:**

Senior Council Officers

<b>COMMITTEE RECOMMENDATION</b>
---------------------------------

**MOVED:** Mr Albert Zago  
**SECONDED:** Dr Bruce Carroll

**THAT** the attached report titled '*Outstanding Audit Actions Status Report*' be received and noted.

**CARRIED**

[Ms Valenti left the meeting at 5.45pm and did not return]

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**14. FINANCIAL REPORT – 6 MONTHS ENDED 31 DECEMBER 2012****AUTHOR:** Financial Accountant – Michael O’Riordan**REVIEWED BY:** Acting Chief Financial Officer – Damian Robertson**SUMMARY:**

A comprehensive mid-year financial review has been undertaken for the six months ended 31 December 2012 to assess the financial performance of Council year-to-date and the forecast financial position as at 30 June 2013. The outcome of the review indicates that Council has achieved a year-to-date operating surplus of \$50.6 million, which is \$5.1 million ahead of budget and capital works expenditure of \$9.1 million, which is \$3.9 million behind the budget. The forecast actual result for the year ending 30 June 2013 is an operating surplus of \$11.4 million and capital works expenditure of \$37.8 million. The forecast underlying result for the year ending 30 June 2013 is a surplus of \$0.5 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. All material variations have been explained in the report.

**CONSULTATION:**

Managers and Co-ordinators.

<b>COMMITTEE RECOMMENDATION</b>
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**MOVED:** Dr Bruce Carroll  
**SECONDED:** Mr Albert Zago

**THAT** the contents of the “Financial Report for the six months ended 31 December 2012” included as **Appendix A** to this report be received and the year-to-date and full-year forecast actual and budget operating and capital results be noted.

**CARRIED**

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**15. FINANCIAL REPORTING DEVELOPMENTS**

**AUTHOR:** Financial Accountant - Michael O'Riordan

**REVIEWED BY:** Acting Chief Financial Officer – Damian Robertson

**BUDGET  
IMPLICATIONS:** Nil

**SUMMARY:**

This report provides a brief overview of key financial reporting developments which Council will need to consider for its financial reporting for the year ending 30 June 2013.

**CONSULTATION:**

Rob Wernli – DFK Collins

<b>COMMITTEE RECOMMENDATION</b>
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**MOVED:** Mr Albert Zago  
**SECONDED:** Dr Bruce Carroll

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

**CARRIED**

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**16. BACKGROUND FINANCIAL INFORMATION**

**AUTHOR:** Acting Director Corporate and Business Services – Kerrie Jordan

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

**SUMMARY:**

The attached paper has been provided to Councillors, the Chief Executive, Directors and General Managers to assist the understanding of the financial context before the formal deliberations on the future financial direction and preparation of the 2013/14 budget.

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

**CONSULTATION:**

<b>COMMITTEE RECOMMENDATION</b>
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**MOVED:** Mr Albert Zago  
**SECONDED:** Dr Bruce Carroll

**THAT** the attached report titled '*Background Financial Information*' be received and noted.

**CARRIED**

**17. INVESTMENT PERFORMANCE REPORT – 6 MONTHS ENDED  
31 DECEMBER 2012****AUTHOR:** Financial Accountant - Michael O’Riordan**REVIEWED BY:** Acting Chief Financial Officer – Damian Robertson**BUDGET****IMPLICATIONS:** Investments of \$51.6 million as at 31 December 2012 and interest earned on invested funds of \$0.98 million for the six months ended 31 December 2012.**SUMMARY:**

A comprehensive review of Council’s investment portfolio has been undertaken for the six months ended 31 December 2012. The Council’s investment portfolio has earned \$0.98 million in interest on investments with term deposits and cash investments earning an annualised rate of 4.54% (December 2011: 5.78%). As at 31 December 2012, the Council’s investment portfolio was valued at \$51.6 million (December 2011 \$39.7 million).

**CONSULTATION:**

Nil.

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



**18. CAPITAL WORKS PROGRAM – DECEMBER 2012  
PERFORMANCE REPORT****AUTHOR:** Financial Accountant – Michael O’Riordan**REVIEWED BY:** Acting Chief Financial Officer – Damian Robertson**SUMMARY:**

This report has been prepared to provide the Audit Committee with details regarding the achievement of the capital works program for the six months ended 31 December 2012. This report was presented to council as a briefing paper in February.

Measures were taken to increase the completion rate of the current year capital program. The capital program will be delivered in excess of 90% of budget this year. Due to the early receipt of grant funding for two kindergarten redevelopments, funding delays for Keon Park Community Hub and Barling Reserve and external influences impacting the Reservoir Library redevelopment and the co-generation plant at Northcote Aquatic & Recreation Centre, 6 building projects will be completed in 2013/14.

**CONSULTATION:**

EMT  
Managers and Coordinators

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Albert Zago  
**SECONDED:** Dr Bruce Carroll

**THAT** this report on the performance Capital Works Program as at 31 December 2012 be received and noted.

**CARRIED**

[Mr O’Riordan left the meeting at 6.05pm and did not return]

**19. AUDITOR-GENERAL'S REPORT - LOCAL GOVERNMENT:  
RESULTS OF THE 2011-12 AUDITS****AUTHOR:** Financial Accountant – Michael O’Riordan**REVIEWED BY:** Acting Chief Financial Officer – Damian Robertson**BUDGET  
IMPLICATIONS:** Nil**SUMMARY:**

The Auditor-General released his report on the 2011/12 audit results for local government in November 2012. 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

**COMMITTEE RECOMMENDATION****MOVED:** Dr Bruce Carroll  
**SECONDED:** Mr Albert Zago

**THAT** this report titled “*Auditor-General’s Report – Local Government: Results of the 2011-12 Audits*” be received and noted.

**CARRIED**

[Mr Wernli left the meeting at 5.30pm and did not return]

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## 20. CALENDAR OF EVENTS

**AUTHOR:** Acting Director Corporate and Business Services – Kerrie Jordan

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

**SUMMARY:**

The Audit Committee has requested an update on the high level reports expected to be tabled at future meetings. A table has been prepared which shows the proposed reports for the next four meetings expected to be held in June, August and November 2013 and March 2014.

**CONSULTATION:**

Senior Council Officers

<b>COMMITTEE RECOMMENDATION</b>
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**MOVED:** Dr Bruce Carroll  
**SECONDED:** Mr Albert Zago

**THAT** this report outlining the Calendar of Events for the next four Audit Committee meetings be received and noted as amended.

**CARRIED**

*Item 21 – Councillor Support and Expenses Report was discussed as the last item on the Agenda at 6.36pm.*

*Cr Laurence 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 Laurence left the meeting at 6.30pm prior to discussion of this item.*

*Cr Greco disclosed a conflict of interest on this item classifying the type of interest as a direct interest and the nature of the interest being that the report relates to expenditure incurred by him. Cr Greco left the meeting at 6.35pm prior to discussion of this item.*

## 21. COUNCILLOR SUPPORT AND EXPENSES REPORT

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

**DIRECTOR:** Chief Executive – Rasiah Dev

### **SUMMARY:**

This report provides the summary of expenses and reimbursements made by Councillors for the period 1 October 2012 to 31 December 2012.

### **COMMITTEE RECOMMENDATION**

**MOVED:** Mr Albert Zago  
**SECONDED:** Dr Bruce Carroll

**THAT** the Audit Committee receive and note the Summary of Councillor expenses and reimbursements made by Councillors for the period 1 October 2012 to 31 December 2012.

**CARRIED**

## 22. OTHER BUSINESS

### 22.1 Financial Report – Capital Works 4-Year Program

Cr Greco raised the matter of disclosing amounts of money allocated to capital works and whether Council could change the reporting of the 4-year projection of capital works. He enquired on the implications of disclosure requirements.

Ms Jordan responded and advised that it was important the community see Council as being transparent, but shared his concerns and would consider removing some of the details from the budget reports.

### 22.2 Costing of works and value for money

Cr Greco enquired on estimates of works that Council Officers received and whether the estimates were reflective of the true cost. He asked if there was a control mechanism in place and suggested a more rigorous process.

Ms Jordan responded and advised that the Procurement process at Council was very rigid and explained the process.

Cr Laurence provided an example of tendering and enquired how to give quality information and drive down the cost of comparative tendering.

Mr Ashmore advised that the tender process was a discreet process and, from an Audit Committee perspective, it was important to ensure all services were costed appropriately.

### 22.3 Attendance at Audit Committee Meetings

In response to a question from Cr Greco, Mr Ashmore advised that it was preferable for the Chief Executive to attend Audit Committee meetings. The Committee agreed and Mr Ashmore undertook to discuss the matter with the Chief Executive.

[Cr Greco left the meeting at 6.35pm and did not return]

## 23. NEXT MEETING/S

The next Audit Committee meeting is scheduled for Monday, 3 June 2013.

The following meeting dates were agreed to by the Committee:

- Tuesday, 27 August 2013 from 4.00 to 6.30pm; and
- Monday, 18 November 2013 from 3.30 to 6.00pm.

The Conference Room will be booked for the meetings.

[Cr Laurence left the meeting at 6.30pm and did not return]

## 24. IN CAMERA DISCUSSION

There were in camera items to be discussed.

**THE MEETING CLOSED AT 6.45PM**