



# **SUMMARY REPORT**

**AUDIT COMMITTEE**

**MEETING HELD ON**

**3 MARCH 2013**

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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 3 MARCH 2014**

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**THE MEETING OPENED AT 2.35PM**

**1. PRESENT**

**Members**

Mr David Ashmore – Chairperson  
Dr Bruce Carroll – Independent External Member  
Mr Michael Said – Independent External Member  
Cr Gaetano Greco (Mayor) – Committee Member  
Cr Bo Li – Committee Member

**Internal Auditors**

Mr Martin Thompson – Crowe Horwath

**Officers**

Mr Rasiah Dev – Chief Executive  
Mr Paul Crapper – Director Corporate and Planning Services  
Mr Steve Hamilton – Director Assets and Business Services  
Ms Katrina Knox – Director Community Development  
Ms Kerrie Jordan – Chief Financial Officer  
Ms Gracie Valenti – Manager Corporate Risk  
Ms Jacinta Stevens – Manager Corporate Governance and Performance  
Mr Pradeep Agrawal – Manager Information Services  
Mr Chris Meulblok – Manager Assets and Properties  
Mr Michael O’Riordan – Financial Accountant  
Mr Santha Kumaran – Coordinator Road Infrastructure Maintenance  
Ms Lauren Close – Coordinator Procurement and Contracting

**Municipal Monitor**

Mr Peter Lewinsky

**Minutes**

Ms Marisa Schiavello

**WELCOME**

The Chair welcomed and introduced Mr Peter Lewinsky, who was recently appointed Municipal Monitor for Darebin City Council by the Minister for Local Government, and Mr Mike Said, the newly appointed independent Audit Committee member.

Mr Lewinsky provided an overview of his role at Council. He advised that he would observe the Council and monitor governance and was required to report to the Minister on a monthly basis. Mr Lewinsky will remain at Darebin for the remainder of the current Council’s term.

Mr Said provided a summary of his vast work experience including General Manager Finance in the Insurance sector and Director of Audit at VAGO. Mr Said is involved in a number of audit committees (both local government and the education sector) and chairs several committees.

## 2. ELECTION OF AUDIT COMMITTEE CHAIRPERSON AND DEPUTY CHAIRPERSON

### INTRODUCTION AND BACKGROUND

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

In accordance with the Audit Committee Charter, a Chairperson and Deputy Chairperson is elected at its first meeting following a Special Meeting of Council. On 17 December 2012, Mr David Ashmore was reappointed as Chairperson of Council's Audit Committee for a period of 12 months and Mr Albert Zago was elected Deputy Chairperson however Mr Zago retired from the Audit Committee at its last meeting on 25 November 2013.

#### Audit Committee Charter

The Audit Committee Charter states that:

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

The Audit Committee Charter was adopted at the Special Meeting of Council on Tuesday 12 November 2013 and is attached for reference.

### PROCESS

#### Election of Audit Committee Chairperson

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

#### Election of Audit Committee Deputy Chairperson

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

**COMMITTEE DISCUSSION**

At the Special Meeting of Council on Tuesday 12 November 2013 Council established its Committees for the 2013/2014 year.

**CALL FOR NOMINATIONS**

In accordance with the Audit Committee Charter and Best Practice Guidelines, the positions of Chairperson and Deputy Chair would be filled by an independent Committee member.

Mr Crapper, Director Corporate and Planning Services, called for nominations for election of Chairperson and Deputy Chair.

**CHAIRPERSON**

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

**DEPUTY CHAIR**

Dr Carroll was nominated for the position by Mr Ashmore and seconded by Mr Said. There being no further nominations, Dr Carroll was duly elected Deputy Chair of the Audit Committee for the next twelve months.

Both Mr Ashmore and Dr Carroll were congratulated on their appointments.

**3. APOLOGIES**

The following apologies were noted:

Mr Remy Szpak – Victorian Auditor-General's Office (External Auditors)  
Mr Daniel Freer – Director Culture, Leisure and Works

**4. DISCLOSURES OF CONFLICT OF INTEREST**

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

**Item 10: Councillor Support and Expenses Twelve Month Summary**

**Item 11: Councillor Support and Expenses Report (late item)**

The above reports were noted in the Agenda as Items 35 and 36 respectively, however, the reports were brought forward to ensure they were appropriately addressed whilst the Municipal Monitor was in attendance.

Cr Greco disclosed a conflict of interest on these items 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 these items.

Cr Li disclosed a conflict of interest on these items 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 Li left the meeting prior to discussion of these items.

## 5. REGISTER OF INTERESTS

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

### **Mr David Ashmore**

- Regional Kitchen Pty Ltd
- Moonee Valley City Council
- Boroondara City Council
- Hobsons Bay City Council
- Greater Dandenong City Council
- Safe Roads Ltd
- Victorian Responsible Gambling Foundation
- Essential Services Commission

### **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 Shire Council
- Colac Otway Shire Council
- Moorabool Shire Council
- Yarra Plenty Regional Library
- Chisholm Institute of TAFE

### **Cr Gaetano Greco**

- Bundoora Homestead

### **Cr Bo Li**

- Regional Kitchen Pty Ltd

## 6. CONFIRMATION OF MINUTES OF PREVIOUS MEETING

<b>RECOMMENDATION</b>
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**MOVED:** Cr Bo Li  
**SECONDED:** Cr Gaetano Greco

**THAT** the minutes of the Audit Committee Meeting held on Monday, 25 November 2013 be confirmed.

**CARRIED**

## 7. MATTERS ARISING FROM PREVIOUS MEETING/S

### REPORTS – MARCH 2014

- Minister for Local Government – Action Plan Update (Jacinta Stevens)
- Network Penetration Test - Summary (Pradeep Agrawal)
- Progress Report on Management of Property Agreements (Chris Meulblok)
- Audit Committee Implementation Plan (Paul Crapper)
- Risk Management Framework and Business Continuity Planning (Gracie Valenti)
- Community Grants Update – Refer Internal Audit Report

### FOR INFORMATION

Background Financial Information Paper (Kerrie Jordan) – This report, which is presented annually at the first meeting of the year, will be tabled at the next Audit Committee meeting in June 2014.

## 8. DEVELOPMENTS IN THE CITY AND LEGISLATIVE COMPLIANCE MATTERS

The Chief Executive, Mr Dev, provided a briefing to the Audit Committee on recent important developments in the City of Darebin.

**Municipal Monitor** – The Minister for Local Government appointed a Municipal Monitor. Mr Peter Lewinsky commenced at the City of Darebin on 29 January 2014. Information on the Monitor's role can be found on Council's website along with the Terms of Reference of his appointment.

**Councillor Strategic Workshop** – A Councillor Strategic Workshop was held over three days - 21, 22 and 23 February 2014. The planning weekend proved successful and informative and assisted in setting the 2014/15 budget so that targets can be met.

**REPORT BY THE CHAIRPERSON**

David encouraged all Committee members to read and understand the Monitor's Terms of Reference.

The role of the Audit Committee is properly delineated and the Audit Committee Charter clearly states the role of Audit Committee members. A copy of the Charter was included in the Agenda papers.

The Audit Committee reviews its performance annually, considers the audit recommendations register, risk management and the Councillor Support and Expenses Report at every meeting and regularly reviews policies, procedures and relevant information.

**9. CONSIDERATION OF ITEMS CONSIDERED CONFIDENTIAL**

**MOVED:** Cr Gaetano Greco

**SECONDED:** Cr Bo Li

**THAT** in accordance with section 89 (2) (g) of the Local Government Act 1989, the Audit Committee resolves to consider the following confidential items as it relates to a matter which Council considers would prejudice the Council (Item 9.1) and a matter affecting the security of Council property (Item 9.2)

9.1 Minister for Local Government – Action Plan Update

9.2 Network Penetration Test – Summary.



**9.1 MINISTER FOR LOCAL GOVERNMENT – ACTION PLAN UPDATE****AUTHOR:** Manager Corporate Governance– Jacinta Stevens**DIRECTOR:** Director Corporate and Business Services – Paul Crapper**SUMMARY:**

This report provides an update on actions undertaken by Council as a result of the Minister for Local Government ten (10) points to be implemented across Council.

**RECOMMENDATION****THAT the Audit Committee:**

- (1) Note the actions undertaken since the last Audit Committee meeting of 25 November 2013.
- (2) Receive and note the updated Action Plan attached as **Appendix A** to this report.

**COMMITTEE RECOMMENDATION****MOVED:** Dr Bruce Carroll**SECONDED:** Mr Mike Said**THAT the Audit Committee:**

- (1) Note the actions undertaken since the last Audit Committee meeting of 25 November 2013.
- (2) Receive and note the updated Action Plan attached as **Appendix A** to this report.

**CARRIED**

[Mr Agrawal entered the meeting at 2.50pm]

**9.2 NETWORK PENETRATION TEST - SUMMARY****AUTHOR:** Chief Information Officer – Pradeep Agrawal**REVIEWED BY:** Director Corporate and Planning Services – Paul Crapper**SUMMARY:**

At its meeting on 26 August 2013, the Director Corporate and Planning Services informed the Committee that he had requested the CIO to make arrangements for a penetration test of internal and external networks. Expressions of interest were sought from suitably qualified organisations and Content Security Pty Ltd was chosen.

Content Security Pty Limited was engaged to perform a Network Penetration Test with a view to discovering potential weaknesses in Darebin's network security. Subsequently, Content Security performed a penetration test on Darebin City Council's external network and web applications. The purpose of the penetration test was to identify key vulnerabilities and weaknesses in the Council's network in order to give an understanding of the consequences that the council would face if an attacker or hacker were to target the Council.

The full report from Content Security is highly technical and includes specific and confidential information which is unsuitable for wider circulation, as this information could be utilised by an attacker or hacker. Consequently, a summary version is being provided. Content Security has been requested to provide an executive version of their report.

**CONSULTATION:**

Director Corporate and Planning Services  
Chief Financial Officer

**RECOMMENDATION**

**THAT** the Audit Committee:

- (1) Receives and notes this report on Network Penetration Test - Summary;  
and
- (2) Recommends that the Committee recommendation and the report remain confidential.

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Mike Said  
**SECONDED:** Cr Bo Li

**THAT** the Audit Committee:

- (1) Receives and notes this report on Network Penetration Test - Summary;  
and
- (2) Recommends that the Committee recommendation and the report remain confidential.

**CARRIED**

**CHANGE TO PROCEEDINGS**

At this point in the meeting the Agenda items were rearranged and the minutes reflect the order in which the items were discussed.

[Mr Agrawal left the meeting at 3.07pm and did not return]  
[Cr Greco and Cr Li left the meeting at 3.09pm]

*Cr Greco disclosed a conflict of interest on this item (Item 10: Councillor Support and Expenses Twelve Month Summary) and the following item (Item 11: Councillor Support and Expenses Report) classifying the type of interest as a direct interest and the nature of the interest being that the reports relate to expenditure incurred by him. Cr Greco left the meeting at 3.09pm prior to discussion of these items.*

*Cr Li disclosed a conflict of interest on this item (Item 10: Councillor Support and Expenses Twelve Month Summary) and the following item (Item 11: Councillor Support and Expenses Report) classifying the type of interest as a direct interest and the nature of the interest being that the reports relate to expenditure incurred by him. Cr Li left the meeting at 3.09pm prior to discussion of these items.*

## 10. COUNCILLOR SUPPORT AND EXPENSES TWELVE MONTH SUMMARY

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

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

### SUMMARY:

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.

On 17 September 2013 the Minister of Local Government wrote to Darebin requesting that ten actions be adopted and implemented by Council.

This report provides the summary of expenses and reimbursements made by Councillors for the period 1 January 2013 to 31 December 2013, by quarter and ensures compliance with action 5 of the Ministers letter.

### CONSULTATION:

Chief Executive

## RECOMMENDATION

**THAT** the Audit Committee:

- (1) Note the contents of the Councillor reimbursement and expense summaries for the period 1 January 2013 to 31 December 2013 attached at **Appendix A** to this report.
- (2) Note that Councillor reimbursement and expense summaries will continue to be published on the Council's website quarterly.
- (3) Report the twelve month Councillor reimbursement and expenses summaries to the next meeting of the Council as per Acton 5 of the Minister for Local Government request.

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Mike Said  
**SECONDED:** Dr Bruce Carroll

**THAT** the Audit Committee:

- (1) Note the contents of the Councillor reimbursement and expense summaries for the period 1 January 2013 to 31 December 2013 attached at **Appendix A** to this report.
- (2) Note that Councillor reimbursement and expense summaries will continue to be published on the Council's website quarterly.
- (3) Report the twelve month Councillor reimbursement and expenses summaries to the next meeting of the Council as per Acton 5 of the Minister for Local Government request.
- (4) Council to consider a dispute resolution clause at the next review of the Councillor Support and Expenses Policy and cross reference the policy with other Council related policies.

**CARRIED**

**11. COUNCILLOR SUPPORT AND EXPENSES REPORT**

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

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

**SUMMARY:**

This report provides the summary of expenses and reimbursements made by Councillors for the period 1 July 2013 to 30 September 2013.

**RECOMMENDATION**

**THAT** the Audit Committee receive and note the Summary of Councillor expenses and reimbursements attached as **Appendix A** to this report made by Councillors for the period 1 July 2013 to 30 September 2013.

**COMMITTEE RECOMMENDATION**

**MOVED:**            **Mr Mike Said**  
**SECONDED:**      **Dr Bruce Carroll**

**THAT** the Audit Committee receive and note the Summary of Councillor expenses and reimbursements attached as **Appendix A** to this report made by Councillors for the period 1 July 2013 to 30 September 2013.

**CARRIED**

[Mr Lewinsky left the meeting during discussion of this item at 3.45pm and did not return  
Cr Greco and Cr Li returned to the meeting at 3.50pm  
Ms Knox, Mr Hamilton and Mr Meulblok entered the meeting at 3.50pm  
Ms Stevens left the meeting at 3.50pm]

## 12 PROGRESS REPORT ON MANAGEMENT OF PROPERTY AGREEMENTS

**AUTHOR:** Manager Assets and Properties – Chris Meulblok

**REVIEWED BY:** Director Assets and Business Services – Steve Hamilton

### SUMMARY:

This report provides the Audit Committee with an update on the management of property agreements and discussion of resourcing requirements to ensure that all property agreements are out of overholding in a timely manner.

The report notes that 59 property agreements in overholding are leisure and recreation agreements which are currently the responsibility of Leisure and Public Realm. These reports are expected to be made current on a seasonal basis following the review of the Fees and Charges Policy. It is anticipated that review of these agreements will all be completed by July 2015.

The remaining 39 agreements which have expired and are in need of review are the responsibility of the Assets and Properties area. These agreements include 20 kindergarten and childcare agreements (which have been recently approved by Council and await execution), 4 neighbourhood house agreements, 4 community house agreements and 2 others. It is envisaged the 10 agreements which are still in overholding will be renewed by July 2015.

At this stage no additional resources will be required to achieve these targets.

### CONSULTATION:

Assets and Properties staff  
Leisure and Public Realm

### RECOMMENDATION

**THAT** the Audit Committee receives and notes the progress report on Management of Property Agreements.

### COMMITTEE RECOMMENDATION

**MOVED:** Cr Bo Li  
**SECONDED:** Dr Bruce Carroll

**THAT** the Audit Committee receives and notes the progress report on Management of Property Agreements.

**CARRIED**

[Mr Meulblok and Mr Hamilton left the meeting at 4.00pm]

### 13. AUDIT COMMITTEE IMPLEMENTATION PLAN

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

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

**SUMMARY:**

In accordance with the Audit Committee Charter, the Committee is required to undertake an annual self assessment of its performance and make recommendations for improvement. At the Audit Committee Meeting of 3 June 2013, the Audit Committee endorsed the process for the self assessment for the 2012/2013 year and the questionnaire was distributed.

At its meeting on 25 November 2013, the Audit Committee was provided with the survey results including ratings, comments and suggested improvements. At that meeting the Audit Committee resolved that the actions for improvement be implemented.

The attached Implementation Plan indicates that one item has been completed, and four items are in progress. An update on the Implementation Plan will be provided at the Audit Committee's next meeting in June 2014.

**CONSULTATION:**

Director Corporate and Planning Services  
Audit Committee

**RECOMMENDATION**

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

**COMMITTEE RECOMMENDATION**

**MOVED:** Cr Bo Li  
**SECONDED:** Dr Bruce Carroll

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

**CARRIED**



**14. RISK MANAGEMENT FRAMEWORK AND BUSINESS  
CONTINUITY PLANNING****AUTHOR:** Manager Corporate Risk – Gracie Valenti**DIRECTOR:** Director Corporate and Planning Services – Paul Crapper**SUMMARY:**

As a regular requirement of the Audit Committee, the Manager Corporate Risk is responsible for providing progress reports on the implementation of Council's Risk Management Framework and Business Continuity Planning.

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

**CONSULTATION:**

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

**RECOMMENDATION**

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

**COMMITTEE RECOMMENDATION**

**MOVED:** Cr Bo Li  
**SECONDED:** Dr Bruce Carroll

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

**CARRIED**

[Mr Kumaran entered the meeting during discussion of this item at 4.15pm]

**15. PROACTIVE RISK MANAGEMENT SYSTEMS****AUTHOR:** Director Corporate and Business Services – Paul Crapper**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

The attached paper titled “Proactive Risk Management Systems” was prepared by the Strategic Risk and Insurance Advisor and discussed at the Executive Management Team meeting on Tuesday 10 December 2013. The paper was well received and its purpose was to provide the EMT with a better understanding of the services and tools which are in place to protect the organisation from potential litigation and the promotion of proactive risk practices. A key focus for the Corporate Risk Department in 2014 is to further embed a risk management culture across Council.

**CONSULTATION:**

Executive Management Team

**RECOMMENDATION**

**THAT** the attached report titled ‘*Proactive Risk Management Systems*’ be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED:** Cr Bo Li  
**SECONDED:** Cr Gaetano Greco

**THAT** the attached report titled ‘*Proactive Risk Management Systems*’ be received and noted.

**CARRIED**

**16. DAREBIN CITY COUNCIL VAGO AUDIT STRATEGY FOR THE  
YEAR ENDING 30 JUNE 2014****AUTHOR:** Director Corporate and Business Services – Paul Crapper**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

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

**CONSULTATION:**

Director Corporate and Planning Services  
Chief Financial Officer  
Financial Accountant

**RECOMMENDATION**

**THAT** the attached report titled '*Darebin City Council Audit Strategy Year Ending 30 June 2014*' prepared by Victorian Auditor-General's Office, be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Mike Said  
**SECONDED:** Cr Bo Li

**THAT** the attached report titled '*Darebin City Council Audit Strategy Year Ending 30 June 2014*' prepared by Victorian Auditor-General's Office, be received and noted.

**CARRIED**

[Mr O'Riordan left the meeting at 4.45pm]

**17. INTERNAL AUDIT REPORT – COMMUNITY GRANTS PROCESS REVIEW****AUTHOR:** Director Corporate and Business Services – Paul Crapper**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

In accordance with Council's annual audit plan, the Internal Auditors undertook a review of the Community Grants process.

The objective of the audit was to assess the level of compliance with the recently redeveloped community grant policy and procedure and in particular to:

- Review the 2013/14 Community Grants process given the governance enhancements made; and
- Consider and comment on the additional governance enhancements to be put in place for the 2014/15 Community Grants process.

Crowe Horwath reports that overall Council had developed a well controlled program for the 2013/14 year and was in the process of drafting enhancements for the 2014/15 program and that the use of 'independence declarations' during the 2013/14 process was a strong control providing greater transparency over the process.

The review identified three low risk rated findings for which action plans and timeframes have been agreed to by management. A table explaining the risk rating is included in the report.

**CONSULTATION:**

Director Community Development  
Manager Community Planning and Customer Service  
Manager Governance and Performance  
Community Wellbeing Team Leader  
Community Grants Officer

**RECOMMENDATION**

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

**COMMITTEE RECOMMENDATION**

**MOVED:** Dr Bruce Carroll  
**SECONDED:** Cr Gaetano Greco

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

**CARRIED**

[Ms Knox left the meeting at 4.50pm and did not return  
Mr O'Riordan re-entered the meeting at 4.50pm]

## 18. INTERNAL AUDIT REPORT – FLEET VEHICLE FLEET MANAGEMENT

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

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

### SUMMARY:

In accordance with Council's annual audit plan, Crowe Horwath undertook a review of the management of Council owned passenger vehicles to assess whether the procedures and practices were operating satisfactorily.

The objectives of the audit were to, with respect to the passenger fleet, review the adequacy of the:

- Policies and procedures
- Monitoring and management of vehicle maintenance and fuel usage
- Use of information technology systems used to manage the fleet
- Timing of vehicle replacement
- Overall security of vehicles
- Processes of purchasing and disposing of vehicles
- Environmental considerations and minimisation strategies.

Crowe Horwath reports that the implementation of new software to manage the fleet function of Council will improve the monitoring and management overall. The review identified one high risk, six medium and five low rated risk findings for which action plans and timeframes have been agreed to by management. A table explaining the risk rating is included in the report.

### CONSULTATION:

Director Culture, Leisure and Works  
Director Corporate and Planning Services  
Manager City Works  
Coordinator Operational Projects and Fleet  
Senior Council Staff

### RECOMMENDATION

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

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Mike Said  
**SECONDED:** Cr Bo Li

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

**CARRIED**

[Cr Li left the meeting at 4.54pm and re-entered the meeting at 4.55pm  
Mr Said left the meeting at 4.55pm and re-entered the meeting at 4.56pm  
Mr Kumaran left the meeting at 5.00pm and did not return]

## 19. INTERNAL AUDIT REPORT – CORE FUNCTIONS REVIEW

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

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

### SUMMARY:

In accordance with Council's annual audit plan, Crowe Horwath undertook a review of the adequacy of the various processes and procedures that have been put in place within the Finance Department to manage and control the functions of Cash Receipts, Payroll and Petty Cash.

#### (a) Cash Receipts

The objectives of the audit for the two sites selected (Bundoora Park and Northcote Town Hall), were to review the adequacy of:

- Cash handling policies and procedures including roles and responsibilities, daily balancing and banking and review and delegations.
- Banking processes, including processes for ensuring staff security, cash security and completeness of amounts banked.
- Receipting processes, including prevention of cash manipulation, issuing of receipts, use and monitoring of voids and refunds and receipting system security.
- Daily balancing and reconciliation including completeness of receipts and reconciliation of overs and unders.

#### (b) Payroll

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

- Internal controls designed to prevent fraud and corruption.
- The process for recording and paying autopay, timesheets, overtime worked and changes in pay rates.
- Payroll system controls.
- The process for the transfer of payroll information between the payroll system and the general ledger.
- Review the adequacy of the payroll EFT controls.
- Payroll reports, their review and authorisation.
- The control of PAYG and superannuation benefits.
- The processes for calculating and paying termination payments.
- The process for recording and paying employees for leave.

#### (c) Petty Cash

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

- Petty cash policies and procedures.
- Access and security.
- Management, monitoring and reconciliation process.

Crowe Horwath has identified improvements in relation to the three key areas reviewed – cash handling, payroll and petty cash. The review identified 9 high, 13 medium and 15 low risk rated findings for which action plans and timeframes have been agreed to by management. A table explaining the risk rating is included in the report.

**CONSULTATION:**

Director Corporate and Planning Services  
Chief Financial Officer  
Financial Accountant  
Manager People and Development  
Payroll Coordinator  
Manager Cooper's Settlement  
Coordinator Leisure Contracts  
Acting Team Leader Northcote Town Hall

**RECOMMENDATION**

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

**COMMITTEE RECOMMENDATION**

**MOVED:** Dr Bruce Carroll  
**SECONDED:** Mr Mike Said

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

**CARRIED**



**20. FINANCIAL REPORT – 6 MONTHS ENDED 31 DECEMBER 2013****AUTHOR:** Financial Accountant – Michael O’Riordan**REVIEWED BY:** Chief Financial Officer – Kerrie Jordan**SUMMARY:**

A comprehensive mid-year financial review has been undertaken for the six months ended 31 December 2013 to assess the financial performance of Council year-to-date and the forecast financial position as at 30 June 2014. The outcome of the review indicates that Council has achieved a year-to-date operating surplus of \$54.3 million, which is \$2.3 million ahead of budget and capital works expenditure of \$10.7 million, which is \$5.4 million behind the budget (however noting that a further \$13.9 million has been committed on Capital Works by way of issued purchase orders).

The forecast actual result for the year ending 30 June 2014 is an operating surplus of \$5.3 million and capital works expenditure of \$38.2 million. The forecast underlying result for the year ending 30 June 2014 is a surplus of \$0.4 million. All material variations have been explained in the report.

**CONSULTATION:**

Managers and Co-ordinators.

**RECOMMENDATION**

**THAT** the contents of the “Financial Report for the six months ended 31 December 2013” 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.

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Mike Said  
**SECONDED:** Cr Gaetano Greco

**THAT** the contents of the “Financial Report for the six months ended 31 December 2013” 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**

**21. INVESTMENT PERFORMANCE REPORT – 6 MONTHS ENDED  
31 DECEMBER 2013****AUTHOR:** Financial Accountant - Michael O’Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**BUDGET****IMPLICATIONS:** Investments of \$40.4 million as at 31 December 2013 and interest earned on invested funds of \$0.68 million for the six months ended 31 December 2013.**SUMMARY:**

A comprehensive review of Council’s investment portfolio has been undertaken for the six months ended 31 December 2013. The Council’s investment portfolio has earned \$0.68 million in interest on investments with term deposits and cash investments earning an annualised rate of 3.60% (December 2012: 4.54%). As at 31 December 2012, the Council’s investment portfolio was valued at \$40.4 million (December 2012 \$51.6 million).

**CONSULTATION:**

Nil.

**RECOMMENDATION****THAT** the contents of this report be received and noted.**COMMITTEE RECOMMENDATION****MOVED:** Mr Mike Said**SECONDED:** Cr Bo Li**THAT** the contents of this report be received and noted.**CARRIED**

**22. FINANCIAL REPORTING DEVELOPMENTS****AUTHOR:** Financial Accountant - Michael O'Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**BUDGET  
IMPLICATIONS:** Nil**SUMMARY:**

This report provides a brief overview of key financial reporting developments which Council will need to consider for its financial reporting for the year ending 30 June 2014.

**CONSULTATION:**

Remy Szpak – Victorian Auditor-General's Office

**RECOMMENDATION**

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

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Mike Said  
**SECONDED:** Dr Bruce Carroll

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

**CARRIED**

**23. CORPORATE PURCHASING CARD POLICY****AUTHOR:** Financial Accountant - Michael O'Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**BUDGET  
IMPLICATIONS:** Nil**SUMMARY:**

The purpose of this paper is to provide the Audit Committee with information on the introduction of limited purchasing cards for low value purchases.

The paper provides details on the proposed opportunity of purchasing cards to be introduced as an alternative purchasing and payment mechanism to provide for efficiencies in the procurement of high volume but low value purchases and other travel related transactions.

**CONSULTATION:**

Paul Crapper - Director Corporate and Planning Services  
Jacinta Stevens - Manager Governance  
Kerrie Jordan – Chief Financial Officer  
Lauren Close - Coordinator Procurement and Contracting  
Michael O'Riordan – Financial Accountant  
Executive Management Team

**RECOMMENDATION**

**THAT** the contents of this report and attachment of the '*Corporate Purchasing Card Policy*' be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED:** Cr Bo Li  
**SECONDED:** Mr Mike Said

**THAT** the contents of this report and attachment of the '*Corporate Purchasing Card Policy*' be received and noted.

**CARRIED**

**24. CAPITAL WORKS PROGRAM – DECEMBER 2013  
PERFORMANCE REPORT****AUTHOR:** Financial Accountant - Michael O’Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**BUDGET  
IMPLICATIONS:** Nil**SUMMARY:**

This report has been prepared to provide the Audit Committee with details regarding the achievement of the capital works program for the six months ended 31 December 2013. 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 94% of budget this year. Due to the size and complexity of the Reservoir Library redevelopment and Keon Park community hub and the requirement for a special charge to proceed with the resource efficiency project, these projects will be completed in 2014/15.

**CONSULTATION:**

EMT  
Managers and Coordinators

**RECOMMENDATION**

**THAT** this report on the performance Capital Works Program as at 31 December 2013 be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED:** Dr Bruce Carroll  
**SECONDED:** Cr Gaetano Greco

**THAT** this report on the performance Capital Works Program as at 31 December 2013 be received and noted.

**CARRIED**

**25. AUDITOR GENERAL'S REPORT – LOCAL GOVERNMENT:  
RESULTS OF THE 2012-13 AUDITS****AUTHOR:** Financial Accountant – Michael O’Riordan**MANAGER:** Chief Financial Officer – Kerrie Jordan**BUDGET  
IMPLICATIONS:** Nil**SUMMARY:**

The Auditor-General released his report on the 2012/13 audit results for local government in December 2013. 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 2012-13 Audits*” be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED:** Cr Gaetano Greco  
**SECONDED:** Dr Bruce Carroll

**THAT** this report titled “*Auditor-General’s Report – Local Government: Results of the 2012-13 Audits*” be received and noted.

**CARRIED**

[Ms Jordan left the meeting at 5.26pm and did not return]

**26. INTERNAL AUDIT REPORT – ANNUAL AUDIT PLAN 2014  
(UPDATED)****AUTHOR:** Director Corporate and Business Services – Paul Crapper**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

Crowe Horwath has been contracted to provide internal audit services to the Darebin City Council and has undertaken a range of projects in accordance with the Strategic Audit Plan.

At its meeting on 25 November 2013, the Audit Committee considered the proposed Annual Audit Plan 2014 and endorsed the Plan subject to changes as requested by the Audit Committee on 25 November 2013.

The third year of the three year Strategic Audit Plan commenced in January 2014 and the audits for the 2014 year are:

- Contract Management
- Customer Service
- Food Act Compliance
- IT E-commerce
- VicRoads Confidentiality Agreement Signoff
- Home and Community Care
- Rates Management
- Statutory Planning Governance and Ethical Decision Making
- Core Functions – Year 3 – Accounts Receivable, Procurement, Corporate Cards
- Post Implementation Review of the HACC IT System Carelink Plus
- Gifts and Donations
- Community Grants Process Review
- Councillor Expenses
- Risk Management Framework
- Follow up of Past Recommendations
- Strategic Audit Plan Development.

**CONSULTATION:**

Chief Executive Officer

**RECOMMENDATION**

**THAT** the attached report titled '*Annual Audit Plan 2014 (Updated)*' prepared by the internal auditors, Crowe Horwath, be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED:** Dr Bruce Carroll  
**SECONDED:** Cr Gaetano Greco

**THAT** the attached report titled '*Annual Audit Plan 2014 (Updated)*' prepared by the internal auditors, Crowe Horwath, be received and noted.

**CARRIED**

[Mr Hamilton, Ms Stevens and Ms Close entered the meeting at 5.30pm  
Ms Stevens and Mr Dev left the meeting at 5.31pm  
Ms Stevens and Mr Dev re-entered the meeting at 5.31pm]



**27. INTERNAL AUDIT REPORT – GIFTS AND DONATIONS FOR COUNCILLORS****AUTHOR:** Director Corporate and Business Services – Paul Crapper**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

In accordance with Council's annual audit plan, Crowe Horwath undertook a review of the adequacy of the procedures and practices for the management of gifts for staff and Councillors and electoral campaign donations for election candidates.

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 and staff (including any potential election fundraising activities).
- Training and awareness raising undertaken by Council administration.
- Reporting and follow up undertaken.

Crowe Horwath reports that overall the current controls in place over gifts and donations for councillors and staff are adequate, however there are a few key areas where controls require strengthening. The review identified 2 medium risks and 4 low risk rated findings for which action plans and timeframes have been agreed to by management. A table explaining the risk rating is included in the report

**CONSULTATION:**

Director Corporate and Planning Services  
Manager Corporate Governance and Performance  
Manager Creative Culture  
Manager Communications and Advocacy  
Manager People and Development

**RECOMMENDATION**

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

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Mike Said  
**SECONDED:** Cr Bo Li

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

**CARRIED**

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**28. INTERNAL AUDIT REPORT – STATUTORY PLANNING,  
GOVERNANCE AND ETHICAL DECISION MAKING****AUTHOR:** Director Corporate and Business Services – Paul Crapper**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

In accordance with Council's annual audit plan, a review was completed of Council's statutory planning activities to assess whether the controls and practices are operating satisfactorily.

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

- The Statutory Planning Governance Charter from an ethical decision making framework perspective.
- Control framework for achieving the key elements of Council's planning objectives and compliance with legislative requirements under the Planning and Environment Act 1987.
- Processes for the management of controversial redevelopments.
- Processes for managing the complexities of development of inner city areas in line with the Darebin Planning Scheme or planning scheme amendments currently under development.
- Processes for managing community tensions around heritage and parking planning issues.
- Management of discretionary elements of planning and subsequent complaints registration and handling process.
- Processes for managing ongoing pressure in the Planning area, including prioritisation of workload and reporting of KPI's.
- Processes for managing ethical decision making.

Crowe Horwath reports that Council has in place adequate processes for managing its statutory planning processes. The review identified potential enhancements with respect to administration and assessment processes, policies and procedures, IT systems and enhancement of consistency and transparency decisions. There are six moderate risk rated findings and one low risk rated finding for which action plans and timeframes have been agreed to by management. A table explaining the risk rating is included in the report.

**CONSULTATION:**

Director Corporate and Planning Services  
Manager City Development  
Coordinator Statutory Planning (2)  
Principal Planner  
Senior Administration Officer – Statutory Planning  
Planning Appeals Advocate

**RECOMMENDATION**

**THAT** the attached report titled '*Statutory Planning Governance and Ethical Decision Making*' prepared by the internal auditors, be received and noted.

**COMMITTEE RECOMMENDATION**

**MOVED:** Cr Bo Li  
**SECONDED:** Mr Mike Said

**THAT** the attached report titled '*Statutory Planning Governance and Ethical Decision Making*' prepared by the internal auditors, be received and noted.

**CARRIED**

**29. OUTSTANDING AUDIT ACTIONS****AUTHOR:** Director Corporate and Business Services – Paul Crapper**REVIEWED BY:** Chief Executive – Rasiah Dev**SUMMARY:**

A report has been prepared to update the Audit Committee on progress made to date by Council Officers on the implementation of recommendations made in previous internal and external reports since the last Committee meeting of 25 November 2013.

**CONSULTATION:**

Senior Council Officers

**RECOMMENDATION**

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

**COMMITTEE RECOMMENDATION****MOVED:** Cr Gaetano Greco**SECONDED:** Mr Mike Said**THAT:**

- (1) The attached report titled '*Outstanding Audit Actions Status Report*' be received and noted.
- (2) Every endeavour is made to ensure the nominated timeframes on the outstanding audit actions are achieved.
- (3) A further update be provided at the next Audit Committee meeting including an explanation on any item that has not been completed within the nominated timeframe.

**CARRIED**

[Mr Crapper left the meeting at 5.55pm]

**30. CONTRACT MANAGEMENT IN DAREBIN CITY COUNCIL****AUTHOR:** Coordinator Procurement and Contracting**REVIEWED BY:** Director Corporate and Planning Services**SUMMARY:**

Procurement and Contracting are proposing to introduce a process which will streamline the recording and capture of all Council contracts above the tendering threshold (\$150,000 incl. GST).

This proposal only relates to contracts prior to their execution, not the ongoing management once executed.

Procurement and Contracting is proposing to complete each stage with input from the relevant Business Unit until the execution of the Contract is complete.

**CONSULTATION:**

Manager, Corporate Governance and Performance  
Director, Corporate and Planning Services

**RECOMMENDATION**

**THAT** the Audit Committee notes the outcomes of the alignment of Procurement and Contract Management framework.

**COMMITTEE RECOMMENDATION**

**MOVED:** Mr Mike Said  
**SECONDED:** Dr Bruce Carroll

**THAT** the Audit Committee notes the outcomes of the alignment of Procurement and Contract Management framework.

**CARRIED**

[Mr Crapper entered the meeting at 5.56pm during discussion of this item]

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

The Internal Auditors, Crowe Horwath, have provided reports to update the Audit Committee on Council's internal audit activity. One report provides information on projects undertaken from January 2013 to December 2013 and the other report provides an update on projects for the 2014 year.

**CONSULTATION:**

Senior Council Officers

**RECOMMENDATION**

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

**COMMITTEE DISCUSSION**

Due to time constraints, the 'Internal Audit Progress Report' was not discussed. A report updating the Audit Committee on internal audit activity will be provided at its next meeting in June 2014.

## 32. GIFTS AND HOSPITALITY REPORT

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

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

**SUMMARY:**

This report provides a summary of gifts and hospitality declared by Councillors and officers for the period 1 January 2013 to 31 December 2013 and complies with Action 7 of the letter from Minister for Local Government.

### RECOMMENDATION

**THAT** the Audit Committee:

- (1) Receive and note the Summary of Councillor and officers gifts and hospitality (attached to this report as **Appendix A** and **Appendix B** respectively) declared for the period 1 January 2013 to 31 December 2013.
- (2) Note that quarterly reports of Councillor and staff gifts and hospitality will be provided to the Audit Committee from hereon in.

### COMMITTEE DISCUSSION

Due to time constraints, the 'Gifts and Hospitality Report' was not discussed. An update will be provided to the Committee at its next meeting in June 2014.

**33. VAGO REPORT: ASSET MANAGEMENT AND MAINTENANCE  
BY COUNCILS – FEBRUARY 2014****AUTHOR:** Director Assets & Business Services**REVIEWED BY:** Chief Executive**SUMMARY:**

This report has been prepared for the Audit Committee as information only.

The purpose of this report is to inform the Audit Committee that Council has received a copy of the Victorian Auditor General Office (VAGO) report titled “Asset Management and Maintenance by Councils” dated February 2014.

The report outlines the findings of an assessment of the frameworks, management practices and their implementation across assets under the control of local government. Specifically, the report focuses on five Councils: Kingston City Council, Port Phillip City Council, Cardinia Shire Council, Wodonga City Council and Ararat Rural Council.

The report provides a number of recommendations for Councils and Local Government Victoria. Council officers are currently reviewing the report, and will assess the status of existing asset management frameworks, practices against these recommendations.

**CONSULTATION:**

Chief Executive

Director Corporate &amp; Planning Services

**RECOMMENDATION****THAT the Audit Committee note:**

1. This report and the receipt of the VAGO report by Council.
2. That Council officers are currently reviewing the VAGO report and will provide a report to the Audit Committee regarding the next steps concerning the VAGO reports that no disclosable interests have been raised in relation to this report.

**COMMITTEE DISCUSSION**

Due to time constraints the ‘VAGO Report: Asset Management and Maintenance by Councils – February 2014’ was not discussed. An update will be provided at the Audit Committee’s next meeting in June 2014.



## 34. CALENDAR OF EVENTS

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

**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 scheduled for 2 June, 25 August and 24 November 2014 and March 2015.

**CONSULTATION:**

Senior Council Officers  
Crowe Horwath

### RECOMMENDATION

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

### COMMITTEE DISCUSSION

Due to time constraints, the 'Calendar of Events' was not discussed. An update will be provided for the Audit Committee at its next meeting in June 2014.

## 35. OTHER BUSINESS

### THANK YOU AND GOOD LUCK

As this was Ms Valenti's final meeting for a period of time, she wished Ms Jordan well in the position of Acting Manager Corporate Risk.

On behalf of the Audit Committee, Mr Ashmore thanked Ms Valenti and wished her good luck with the impending birth.

## 36. NEXT MEETING/S

Monday, 2 June 2014 – 2.30-5.30pm.  
Monday, 25 August 2014 – 2.00-5.00pm.  
Monday, 24 November 2014 – 2.30-5.30pm.

All meetings will be held in the Conference Room.

### APOLOGY

Mr Said advised that he was unable to attend the next Audit Committee meeting on 2 June 2014 and would contribute by providing comments through the Chair.

## 37 IN CAMERA DISCUSSION

In accordance with the Audit Committee Charter, an opportunity is provided for the Audit Committee to meet with the internal auditor and external auditors to discuss any matters that the Audit Committee or the internal auditor and external auditors believe should be discussed privately.

No in camera discussion was held.

## 38 CLOSE OF MEETING

THE MEETING CLOSED AT 6.02PM