

**ORDINARY MEETING OF COUNCIL
27 JULY 2009**

3.	AUDIT COMMITTEE ACTIVITIES UPDATE
LOCATION/ADDRESS:	N/A
EXECUTIVE DIRECTOR:	CATHY HENDERSON, ACTING EXECUTIVE DIRECTOR ORGANISATION SYSTEMS & SUPPORT
PREPARED BY:	NORM MCCLELLAND, GOVERNANCE ADVISOR
FILE NO.:	34/04/37-02
ATTACHMENTS:	INTERNAL AUDIT PROGRAM 2009-2011

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to:
 - 1.1.1 Bring to the attention of Council the matters discussed at the June 2009 meeting of the City of Port Phillip Audit Committee; and
 - 1.1.2 Present to Council for endorsement/approval the 2009-2011 Internal Audit Program (attached).
- 1.2 The minutes of the June 2009 Audit Committee meeting have been circulated to all Councillors.

2. RECOMMENDATION

That Council:

- 2.1 Receive and note the report outlining the matters dealt with at the June 2009 meeting of the City of Port Phillip Audit Committee, including review by the Committee of its annual work plan and internal audit program, examination of excessive staff leave accruals, the progress made by Council to implement high and significant risk rated audit recommendations from previous audits, review of the quarterly management report to Council for the period ended 31 March 2009, review of the Council and staff Codes of Conduct, and Audit Committee reporting to Council; and
- 2.2 Endorse the interim Internal Audit Program for 2009-2011, pending:
 - 2.2.1 completion of the risk assessment by the Internal Auditor;
 - 2.2.2 the CEO's review of the proposed and previous Internal Audit Programs; and
 - 2.2.3 the outcome of the continuous audit function.

3. BACKGROUND AND CONTEXT

- 3.1 A new City of Port Phillip Audit Committee Charter was adopted by Council in March 2009. The Charter requires the committee to “report its activities to the Council after every meeting”.
- 3.2 The Audit Committee at its June 2009 meeting requested that the Internal Audit Program 2009-2011 be presented to Council for endorsement as an “Interim” Internal Audit Program. The Committee requested that it be presented to Council as an “interim” program because changes may be required to the program subject to:
- 3.2.1 the internal auditor completing a risk assessment of the organisation which will have an impact on the content of the internal audit program;
 - 3.2.2 receipt of the Ombudsman’s report into contracting and tendering;
 - 3.2.3 the CEO having an opportunity to review the proposed program against audits previously undertaken over the last few years; and
 - 3.2.4 the continuous audit function highlighting a matter that would require urgent additional attention.
- 3.3 Matters considered by the Audit Committee at its June 2009 meeting were:
- 3.3.1 Annual Work Plan – the Committee was advised that the 2009 Annual Work Plan of the Committee was presented to Council’s Strategy and Policy Review Committee and that it has recommended that Council at its meeting on 22 June 2009 endorse the Work Plan. The Audit Committee stated that even though the Audit Committee Charter required the Annual Work Plan to be approved by Council, it would be more relevant for Council to endorse the Internal Audit Program. The Committee also requested that at each meeting the Chief Executive Officer verbally advise the Committee of any significant breaches of Council policy, legislation or regulations.
 - 3.3.2 Internal Audit Program – the Committee received the Internal Audit Program for 2009-2011. The Committee determined that the program (attached) should be presented to Council for endorsement as an interim program for the reasons outlined in 3.2 above.
 - 3.3.3 Leave accruals - the Committee received an update about the number of staff with excessive balances of accrued annual leave (above 40 days) as at 19 May 2009. The Chair of the Committee advised that external audit raised this issue in its management letter each year. The CEO stated that the matter of excessive accrued annual leave would be taken up with the Executive Team. It was noted that the number of staff with excessive balances had improved over the last two years and was not at a critical level.
 - 3.3.4 Audit Committee Tracking Document - the Committee received a tracking document outlining the progress made by Council to implement high and significant risk rated audit recommendations from previous audits. The Committee requested changes to the format of the document to improve presentation and requested that the

management responses be reviewed and presented again to the next meeting.

- 3.3.5 Quarterly Management Report to Council – the Committee received the quarterly report for the period ended 31 March 2009. The Committee was advised that the March 2009 quarter figures and the preliminary April and May figures indicated that Council is on track to come in at the Forecast Operating Surplus.
- 3.3.6 Council's Code of Conduct – one of the purposes within the Audit Committee's new Charter is "Monitoring compliance with Council's Code of Conduct and regulatory requirements." To that end the Committee was provided with the legislative requirements with respect to Councillor and staff codes of conduct. The Committee was advised that Council was about to undertake a process to review the Councillor Code of Conduct and the staff Code of Conduct was nearing the end of a review process. The codes would be provided to the Committee on completion.
- 3.3.7 Audit Committee reporting to Council – the Committee requested that the Chairperson be available to meet with Council/Councillors on an as required basis to address questions from the Council. This is in addition to the Chairperson presenting the Audit Committee's annual report to Council. The other external member of the Committee, as well as, the Internal Auditors may also be requested to meet with Council from time to time. Meetings are to be requested by Council through the CEO.

4. CONSULTATION AND STAKEHOLDERS

4.1 Internal

- 4.1.1 Council staff are invited to attend Audit Committee meetings or to submit reports to address specific issues on the agenda.
- 4.1.2 Three Councillors represent Council as members of the Audit Committee. The Chief Executive Officer, the Executive Director Organisation Systems and Support and the Chief Financial Officer are invited to attend meetings as guests.

4.2 External

- 4.2.1 There are two external members on the Audit Committee, one being the Chairperson.
- 4.2.2 Council's internal auditors attend all meetings of the Audit Committee and provide information and advice as requested.
- 4.2.3 Where appropriate, the Audit Committee will invite representatives from external organizations, namely auditors, insurers, etc., to seek information and/or clarification on various matters.

5. DISCUSSION

5.1 OPTIONS

5.1.1 This report is provided for information for the Council.

5.2 ALIGNMENT TO COUNCIL PLAN

5.2.1 This report is consistent with Council's key direction of 'Engaging and Governing the City' as contained in Council's 2009 – 2013 Council Plan. The Plan, under strategy 1.2.1, commits to "Ensure that an independent audit committee operates to manage risks across the organization, and reports regularly to Council".

5.3 POLICY IMPLICATIONS

5.3.1 Council is required by section 139 of the Local Government Act 1989 to establish an audit committee as an advisory committee of the Council.

5.3.2 This report is presented in accordance with the Terms of Reference of the Audit Committee and in response to a previous resolution of Council. The recommendation of this report has no impact on existing policy, nor does it create any new policy.

5.3.3 The Terms of Reference of Council's Audit Committee can only be amended by a resolution of the Council.

5.4 FINANCE / RESOURCE IMPLICATIONS

5.4.1 The matters considered at the June 2009 Audit Committee meeting have no immediate resource implications.

5.5 LEGAL & RISK IMPLICATIONS

5.5.1 There are no legal or risk implications with respect to this report.

6. IMPLEMENTATION STRATEGY

6.1 TIMELINE

6.1.1 Once Council has endorsed the interim Internal Audit Program, the auditors will commence the audits on the program.

6.2 COMMUNICATION

6.2.1 Managers will be advised of the forthcoming audits on the Internal Audit Program.

7. OFFICER DIRECT OR INDIRECT INTEREST

7.1 No officers involved in the preparation of this report have any direct or indirect interest in the matter.