

CITY OF PORT PHILLIP REPORT

ORDINARY MEETING OF COUNCIL 29 SEPTEMBER 2009

7.	AUDIT COMMITTEE ACTIVITIES UPDATE
LOCATION/ADDRESS:	N/A
GENERAL MANAGER:	MARK BRADY, GENERAL MANAGER CORPORATE SERVICES
PREPARED BY:	NORM MCCLELLAND, GOVERNANCE ADVISOR
FILE NO.:	34/04/37-02
ATTACHMENTS:	NIL.

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to bring to the attention of Council the matters discussed at the August 2009 meeting of the City of Port Phillip Audit Committee. The details are provided in section 3.2 of this report.
- 1.2 The minutes of the August 2009 Audit Committee meeting have been circulated to all Councillors.

2. RECOMMENDATION

That Council:

- 2.1 Receives and notes the report outlining the matters dealt with at the August 2009 meeting of the City of Port Phillip Audit Committee, including a review of:
 - 2.1.1 the 2008/2009 Financial Statements, Standard Statements and Performance Statement with the External Auditor;
 - 2.1.2 the progress to implement audit recommendations from previous audits;
 - 2.1.3 the Procurement and Supplier Management Audit undertaken by Council's Internal Audit contractor;
 - 2.1.4 the implementation of the recommendations within the Ombudsman's report into City of Port Phillip, August 2009; and
 - 2.1.5 the reprioritisation of the Interim Internal Audit Program.

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 Audit Committee to “report its activities to Council after every meeting”.

3.2 Matters considered by the Audit Committee at its August 2009 meeting were:

3.2.1 **Annual Accounts 2008/2009** – the Committee received the Annual Financial Statements, the Standard Statements and the Performance Statement for the year ended 30 June 2009; the Plain English Guide to the Financial Report; and a report reviewing asset depreciation methods. The External Auditors attended the meeting to provide an overview of the audit. The Committee discussed a number of matters including expensing of work in progress resulting in a prior year adjustment, the write down of the value of land and the disposal of land, parking revenue, recovery of parking infringements through the Perin Court, Council's superannuation liability and Council's investments.

The Committee stated the Plain English Guide accompanying the accounts was good and that the financial ratios indicated that Council was in a good financial position.

The External Auditor stated that he would recommend an unqualified audit opinion to the Auditor-General.

The Audit Committee requested that Council be advised that the Committee had considered the annual accounts with the External Auditor and recommended to Council that it adopt the accounts “in principle”. The Mayor requested the Chair of the Audit Committee to attend the Council meeting at which the draft accounts are to be considered.

3.2.2 **Audit Committee Tracking Document** – the Committee received a tracking document detailing the progress of the implementation of high and significant risk rated audit recommendations. The Committee requested that it be able to identify what has been added to, and deleted from, the table. The Committee noted and sought explanation as to why some target dates for implementation of audit recommendations had been pushed out. The Committee requested the document to be updated and presented to the next meeting.

3.2.3 **Procurement and Supplier Management Audit** – the Committee received an internal audit undertaken by Pitcher Partners into Council's procurement and supplier management practices. The Auditor advised the Committee that the procurement technology and systems in place are good, however, they could be used more effectively. The Auditor also stated that the centralisation of the purchasing function may resolve control environment issues. The Committee noted that some target dates were a long way out, but acknowledged that the actions to address recommendations of high

priority and high risk would take a significant time to implement to fix the problems properly.

- 3.2.4 **CEO's Issues** – the CEO provided an update on the progress to implement the recommendations within the Ombudsman's report on Port Phillip Council dated August 2009. The CEO tabled a document outlining the action undertaken by Council to address the recommendations. The Committee was advised that the newly appointed Internal Audit Manager would review what Council has done to date in response to the Ombudsman's recommendations. The Committee requested that it be updated every two months about the organisation's response to the recommendations.
- 3.2.5 **Internal Audit Program** – the Internal Auditor advised the Committee that there had been a re-prioritisation of the Interim Internal Audit Program. The Auditor gave an update of the status of audits currently being undertaken and when they may be presented to the Committee.

4 CONSULTATION AND STAKEHOLDERS

4.1 Internal

- 4.1.1 Council staff are invited to attend Audit Committee meetings or submit reports to address specific issues on the agenda.
- 4.1.2 Three Councillors represent Council as members of the Audit Committee.
- 4.1.3 The Chief Executive Officer, the General Manager Corporate Services, the Internal Audit Manager 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 of those being the Chairperson.
- 4.2.2 Council's Internal Auditor attends all meetings of the Audit Committee and provides 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.
- 4.2.4 The External Auditor (representative of the Victorian Auditor-General) attended the August 2009 meeting of the Audit Committee to discuss the 2008/2009 Annual Accounts.

4. 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 organisation and reports regularly to Council".

5.3 POLICY IMPLICATIONS PLAN

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 the 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 August 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 N/A.

6.2 COMMUNICATION

6.2.1 N/A.

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.