

**ORDINARY MEETING OF COUNCIL
23 NOVEMBER 2009**

9	AUDIT COMMITTEE ACTIVITIES UPDATE
LOCATION/ADDRESS:	N/A
GENERAL MANAGER:	MARK BRADY, GENERAL MANAGER CORPORATE SERVICES
PREPARED BY:	NORM MCCLELLAND, GOVERNANCE ADVISOR
FILE NO.:	34/04/37-03
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 October 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 October 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 October 2009 meeting of the City of Port Phillip Audit Committee, including a review of:
 - 2.1.1 Council's investment policy
 - 2.1.2 Internal Audit Coverage Plan 2009 - 2013;
 - 2.1.3 The progress to implement audit recommendations from previous audits;
 - 2.1.4 The Asset Management and Capital Works Audit and the Building Maintenance Review undertaken by Council's Internal Audit contractor;
 - 2.1.5 The Management Letter for the audit of the Annual Accounts for 2008/2009 undertaken by the External Auditor;
 - 2.1.6 The implementation of the recommendations within the Ombudsman's report into City of Port Phillip, August 2009; and

2.1.7 Rates levied for 2008/2009 and rates outstanding as at 30 June 2009.

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 October 2009 meeting were:

3.2.1 **Council Investment Policy** – the Committee discussed the strategies outlined in a report proposing changes to Council’s Investment Policy. The Committee was advised that investment performance was reported to Council on a quarterly basis. The Committee requested that a statement be included in the policy ensuring that there was a good spread of investments. The Committee was advised that if it was comfortable with the proposed changes the amended policy would be presented to Council for endorsement. The Committee accepted the recommendations within the report.

3.2.2 **Internal Audit Coverage Plan 2009 / 2013** – the Committee received a detailed document outlining the coverage of the Internal Audit Plan for 2009 – 2013. The Committee was advised that the audits are assurance audits to be undertaken in operational areas that will focus on key issues. The Committee was given an outline of the audits to be undertaken in the coming 12 months and was advised that the program would be revisited each year to determine if the program is still relevant. The Committee noted and accepted the Internal Audit Program as a 4 year program that would be subject to change as circumstances change.

3.2.3 **Audit Recommendation Tracking Table** – the Committee received a table containing outstanding audit recommendations, actions to be undertaken to implement the recommendations, the responsible officer and a target date for implementation. The Committee discussed the rescheduling of target dates for some of the actions. The Committee requested the document to be updated and presented to the next meeting.

3.2.4 **Asset Management & Capital Works Audit** – the Committee received an internal audit report on Asset Management and Capital Works processes. The Committee was advised that the collection of data is critical for the proper planning for the management of assets. The Committee was also advised that ongoing condition inspections would help build a picture of the long term maintenance costs of Council’s infrastructure. The Committee requested that a report be provided in 12 months time to outline the progress of the implementation of audit recommendations. The Committee noted the report. The implementation of outstanding audit recommendations is to be controlled via the Audit Recommendation Tracking Table.

- 3.2.5 **Building Maintenance Review** – the Committee received an internal audit report on Building Maintenance processes. The audit found some gaps in the control environment which were currently being addressed by Council management. The Committee requested that a further report updating the implementation of the audit recommendations should be presented to the Committee at the first Committee meeting in 2010. The implementation of outstanding audit recommendations is to be controlled via the Audit Recommendation Tracking Table.
- 3.2.6 **Management Letter 2008 / 2009 Annual Accounts** – the Committee received the Management Letter from the Victorian Auditor General for the audit of the Financial Statements and Performance Statement for 2008/2009. The major issue emanating from the Management Letter was the timing of the capitalisation of infrastructure asset works. The Committee was advised that management has implemented a new process to capture work in progress for capital works. The implementation of outstanding audit recommendations is to be controlled via the Audit Recommendation Tracking Table.
- 3.2.7 **Ombudsman’s Recommendations** – the Committee received a table containing the Ombudsman’s recommendations with respect to contracts and tendering, as well as, the actions to date to implement the recommendations. The Committee was advised that of the 34 recommendations, 21 had been implemented. An updated table is to be provided for the next Committee meeting.
- 3.2.8 **Rates 2008/2009** – the Committee received a report on the rates levied for 2008/2009 and the rates outstanding as at 30 June 2009. The collection rate for 2008/2009 was 97.38% compared to a collection rate for the previous year of 96.99%. The Committee stated that the collection rate for 2008/2009 was a good outcome.
- 3.2.9 **Council Plan 2009/2013** – the Committee members received a copy of the Council Plan for information.

4 CONSULTATION AND STAKEHOLDERS

4.1 Internal

- 4.1.1 Three Councillors represent Council as members of the Audit Committee.
- 4.1.2 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.
- 4.1.3 Council staff are invited to attend Audit Committee meetings or submit reports to address specific issues on the agenda.

4.2 External

- 4.2.1 There are two external members on the Audit Committee, one of those being the Chairperson.
- 4.2.2 Representatives of Council's Internal Auditor Pitcher Partners 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 organisations, 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 as a requirement of the Audit Committee Charter and 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 Audit Committee Charter 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 Charter 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 October 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.