

**STRATEGY & POLICY REVIEW COMMITTEE**  
**1 JUNE 2009** **GOVERNANCE AND COMPLIANCE**

<b>A14</b>	<b>AUDIT COMMITTEE ACTIVITIES UPDATE</b>
<b>LOCATION/ADDRESS:</b>	<b>N/A</b>
<b>RESPONSIBLE EXECUTIVE DIRECTOR:</b>	<b>SALLY CALDER, EXECUTIVE DIRECTOR ORGANISATION SYSTEMS &amp; SUPPORT</b>
<b>AUTHOR:</b>	<b>NORM MCCLELLAND, GOVERNANCE ADVISOR</b>
<b>FILE NO.:</b>	<b>34/04/37-02</b>
<b>ATTACHMENTS:</b>	<b>ATTACHMENT 1 - AUDIT COMMITTEE ANNUAL WORK PLAN 2009</b>

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**1. EXECUTIVE SUMMARY**

- 1.1. The purpose of this report is to:
- bring to the attention of Council the matters discussed at the April 2009 meeting of the City of Port Phillip Audit Committee; and
  - present to Council for approval the Audit Committee's 2009 Annual Work Plan (attached).
- 1.2. The Charter of the Audit Committee requires:
- the Committee to report its activities to Council after every meeting; and
  - the Council to approve the annual work plan of the Audit Committee at the commencement of each calendar year.
- 1.3. The minutes of the April 2009 Audit Committee meeting have been circulated to all Councillors.

**2. RECOMMENDATION**

That the Strategy and Policy Review Committee recommend that Council resolve to:

- 2.1. Receive and note the report outlining the matters dealt with at the April 2009 meeting of the City of Port Phillip Audit Committee, including the Committee's work plan and the internal audit program, a contracting and tendering update from the organisation, as well as, presentation of a contracting and tendering audit by the internal auditor, an OH&S annual update and presentation of Council's Fraud Control and Management Policy; and
- 2.2. Approve the Audit Committee's 2009 Annual Work Plan attached to this report.

**3. DISCUSSION**

- 3.1. Section 139 of the Local Government Act 1989 requires councils to establish an audit committee as an advisory committee of the Council.
- 3.2. This report is presented to comply with the requirements of the City of Port Phillip Audit Committee Charter (adopted 23 March 2009), to report to Council the activities of the Audit Committee after every meeting and to seek approval from Council for the Committee's annual work plan.
- 3.3. As the Audit Committee Charter was adopted in March 2009, this is the first opportunity to present the 2009 Work Plan to Council.
- 3.4. The Work Plan (see attached) sets out the activities that the Audit Committee will undertake at each of its meetings for 2009. The Work Plan and the Internal Audit Program encompass the requirements outlined in the "purpose", "role" and "objectives" of the Committee's Charter. A draft 3 to 5 year Internal Audit Program is due to be presented to the Audit Committee on 10 June 2009. Once the Internal Audit Program is adopted by the Committee, the Work Plan will be populated with the individual audits.
- 3.5. The Council can either adopt the Work Plan as presented or make amendments as required.
- 3.6. Matters considered by the Audit Committee at its April 2009 meeting were:

Annual Work Plan – the Committee received a copy of the Annual Work Plan for 2009 and was advised that the new Committee Charter required Council to approve the work plan and that it would be presented to Council in June for consideration. The Committee agreed that any changes to the work plan should be submitted to Council for endorsement. The Committee requested that a tracking document outlining the progress made by Council to implement high and significant audit recommendations should be provided in a table format at every Audit Committee meeting.

Internal Audit Program – the Committee was advised that the internal audit program would be based on a risk register which the internal auditor would compile, but that the program was not yet available. The Committee requested that a proposed internal audit program be available for the next Committee meeting.

Leave Accruals – the Audit Committee received an update about the number of staff with excessive balances of accrued annual leave (above 40 days) as at the end of March 2009. The Audit Committee has stated that the failure of employees to take their annual leave each year results in increased costs to Council and the weakening of an important auditing tool. The Committee noted that the document now reported equivalent full-time leave days. The Committee noted the report.

External Audit Strategy – Council's external auditor, appointed by the Auditor-General, attended the meeting to outline the external audit strategy for the year ending 30 June 2009. The Committee was advised that the Auditor-General has requested that particular attention be paid to the commentary relating to variances in the Standard Statements and the reporting of actions in the Performance Statement. The Committee discussed with the Auditor Fair Value asset revaluations and recognising

land under roads. The Auditor stated that work on the audit would commence first week of May 2009.

Contracting & Tendering Update – the meeting was attended by the Manager Governance and Risk Management, the Senior Contracts Advisor and the Contracts and Tendering Consultant to outline the actions taken to improve the Council's contracting and tendering processes. The Committee acknowledged that significant work had been done, but also noted that the impending Ombudsman's report could have a raft of recommendations some of which would relate to the status of contracting and tendering prior to the implementation of improved processes. The Committee noted the report.

Contracting & Tendering Audit – Council's Internal Auditor presented the report and stated that the revised/amended contracting and tendering documentation and procedures were progressing, and that the technology and systems still needed some attention. The Committee discussed a number of matters relating to contracting and tendering. The Committee was advised that the staff had embraced the new procedures. The Committee stated that time needs to pass to see the success of the new procedures and therefore requested updates into the future.

OH&S Annual Update – the Committee was advised that the OH&S committee structure was reviewed when the organisation moved back into the renovated St Kilda Town Hall and that the positions of first aide officers, fire wardens and EEO representatives were also reviewed. The Committee was advised that the Port Phillip Workcover premium was better than the industry standard. The Committee noted the report.

Council Fraud Control & Management Policy – the Committee was advised that the policy outlined controls to reduce the opportunity for fraud and that it was part of a suite of policies designed to outline the organisation's expectations of employees. The Committee suggested that the policy contain an addendum outlining processes for reporting fraud or irregularities, and that reporting fraud to Police should be more visible within the policy. The Committee noted the report.

Conflicts of Interest – the Committee was advised that the conflict of interest provisions within the Local Government Act 1989 apply to members of audit committees and how a conflict was to be reported if one arose. The Committee noted its responsibilities.

Other Issues – the Committee raised the issue about the possible shortfall in funding of the Local Authorities defined benefits superannuation scheme and the Committee was advised that an actuarial review was to take place in 2010 to determine the status of the fund.

- 3.7. The next meeting of the Audit Committee is scheduled for 10 June 2009.