Thank you, Chair.

I, Jason Agnoletto and my colleague Tony Peake, both of 2 Southbank Boulevard, Southbank, state as follows: we are Partners with PricewaterhouseCoopers (hereafter referred to as PwC). I was the engagement partner, and Tony was the review partner involved in producing PwC’s report dated 15 March 2010 in relation to an internal audit review of compliance with relevant requirements in the receipt and processing of planning and heritage permit applications (hereafter referred to as the applications) associated with the Hotel Windsor Redevelopment proposal. We attend before the standing committee in those capacities.

We have been provided with the Parliament of Victoria’s document Appearing Before a Parliamentary Committee – Guidelines for the Rights and Responsibilities of Witnesses (dated January 2008).

We would like to make some opening remarks regarding – firstly – our appointment and our role as internal auditor, and – secondly – to distinguish our internal audit role from that of a probity advisor. We will then address the scope of our work undertaken in producing our report and the report itself.

In the context of the standing committee’s examination of this matter, we would like to provide some background regarding PwC’s internal audit role with the Department of Planning and Community Development (hereafter referred to as DPCD or the Department).
PwC was engaged by DPCD on 7 July 2008 for the provision of internal audit services to the Department. The contract for these services runs for an initial three year period and allows management within individual divisions of DPCD to engage PwC to provide internal audit services. PwC was engaged, through this agreement, by the Planning and Local Government division of DPCD to conduct an internal audit review in relation to the applications.

The purpose of an internal audit service is stated by the Institute of Internal Auditors, the peak body representing the profession, to be as follows:

(quote) "It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes." (end quote) ¹

We note that, whilst the standing committee requested that we appear to give evidence in relation to the (quote) “probity report” (end quote) undertaken by PwC, we did not conduct a probity audit, but rather conducted an internal audit review.

We also note that the Probity Advisor’s Report by RSM Bird Cameron dated 17 March 2010, which appears on the Department’s website, states that RSM Bird Cameron (quote) “sighted the unqualified Internal Audit report prepared by Messrs PricewaterhouseCoopers” (end quote). In fact, our engagement was an internal audit review with an agreed scope, and we issued a report of findings, not an opinion.

¹ International Professional Practices Framework (IPPF), The Institute of Internal Auditors Research Foundation. Florida, USA, January 2009
I will now address the scope of PwC’s work for the internal audit review. The scope of work for this review was discussed and agreed between PwC and Mr David Hodge, the Executive Director, Planning Services and Development Facilitation in DPCD and was outlined in an engagement letter addressed to Mr Hodge.

The agreed scope of work under this engagement letter was to:

1. Review and consider the compliance of State Planning Services, a branch of the Department, with relevant requirements under the Planning and Environment Act in its receipt and processing of an application submitted by the Applicant for a planning permit in relation to a proposed redevelopment of the Hotel Windsor. This planning permit application is referred to in the engagement letter as the Planning Application.

2. Review and consider the Advisory Committee’s compliance with its terms of reference for the provision of advice on the Planning Application.

3. Review and consider Heritage Victoria’s compliance with relevant requirements of the Heritage Act in its receipt and processing of a secondary application submitted by the Applicant for a Heritage Permit.

It was agreed that the work would be undertaken in two phases, as follows:

**Phase 1 - Determine compliance obligations**

This phase involved PwC understanding and documenting the key compliance obligations applying to State Planning Services, the Advisory Committee and Heritage Victoria in the receipt and processing of planning and heritage permit applications.
Phase 2 – Review DPCD practices against agreed compliance obligations

Once agreement was obtained from DPCD management as to the applicable compliance obligations, we would review documentation associated with the receipt and processing of the applications to consider compliance with the agreed obligations. Any areas of non-compliance would be identified and reported to DPCD management.

Two areas were specifically excluded from this scope of work.

1. The review did not include an assessment of DPCD’s decision making processes in relation to the planning application against principles of fairness, transparency and accountability. At the time we agreed the engagement letter with the Department, we understood DPCD intended to appoint a separate probity advisor to undertake such an assessment.

2. The review did not consider controls and processes performed by the Minister for Planning’s office in making planning decisions.

The engagement letter containing this scope of work was signed by PwC and DPCD prior to the commencement of fieldwork on 3 March 2010.

Our work was conducted at the DPCD offices at Level 9, 8 Nicholson Street, East Melbourne and at the Heritage Victoria offices at Level 4, 55 Collins Street, Melbourne.

Our work entailed:

Phase 1 – Determine compliance obligations

As noted above, this phase involved us understanding and documenting the key compliance obligations applying to State Planning Services, the Advisory Committee and
Heritage Victoria in the receipt and processing of planning and heritage permit applications.

These compliance obligations were identified from the *Using Victoria’s Planning System* guide. Published by DPCD, this document is available on the Department’s website\(^2\) and is described as (quote) “a technical guide to interpretation and administrative procedures under the Planning and Environment Act 1987 and the Planning and Environment Regulations 2005 and their interaction with other related legislation and planning schemes.” (end quote)

Using this guide, and with reference to the regulatory provisions specifically noted within it and the Advisory Committee’s terms of reference, we documented our understanding of the compliance obligations applying to State Planning Services, the Advisory Committee and Heritage Victoria in the receipt and processing of the applications.

Once prepared, this documentation was discussed and agreed with DPCD management – being Mr Hodge and Mr Ray Osborne, the Director Operations, Heritage Victoria – to ensure accuracy and completeness in identification of the relevant obligations, before we began our phase 2 work.

**Phase 2 – Review DPCD practices against agreed compliance obligations**

The work involved the review of supporting documentation associated with the applications retained on file at those premises. As internal auditors we had free and unfettered access to personnel and documentation we deemed relevant to our scope of work.

At the conclusion of this work, we had not found any areas of non-compliance with the agreed compliance requirements.

We then drafted a report setting out our findings. In line with our usual practice for internal audit reports, the draft was circulated and discussed with DPCD management to confirm factual accuracy prior to its finalisation. The changes subsequently made did not impact on the findings from our internal audit work.

The report of our findings was issued in final form on 15 March 2010, addressed to Mr Yehudi Blacher, the Secretary of DPCD.

If I can now summarise, we were engaged by DPCD as its internal auditor, under the contract for the provision of internal audit services to undertake an internal audit review. We agreed a scope of work with DPCD management which we then carried out. The findings from our work were set out in our report to the Secretary of the Department dated 15 March 2010.

We have now come to the end of our opening remarks, and we are available to take questions from the committee.