

**Management report to Council**

**Agenda item 6.5**

**Referred documents from the 12 November 2021 Audit and Risk Committee Meeting**

**Council**

**Presenter:** Michael Tonta, Director Governance

**14 December 2021**

**Purpose and background**

1. The purpose of this report is to advise Council of the outcomes of the City of Melbourne Audit and Risk Committee (ARC) meeting held on 12 November 2021.
2. Forwarding the minutes from the ARC to Council is a requirement under its Charter.
3. Clause 7.10.2 of the Charter requires the Audit and Risk Committee to:

*Annually review and assess the adequacy of the Charter, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.*

**Key issues**

4. The ARC noted that the following matter would be presented to Council:
  - 4.1. The unconfirmed minutes of the 12 November 2021 ARC meeting (refer **Attachment 2**).
  - 4.2. Audit and Risk Committee Charter, incorporating proposed changes resultant from the annual review. The proposed changes relate primarily to the reporting of Committee activities to the Council to simplify the arrangements and to provide for remote attendance at meetings by Members where necessary or practical due to restrictions that may be in effect from time to time. Refer to tracked changes in **Attachment 3**.

**Recommendation from management**

5. That Council:
  - 5.1. notes the minutes of the meeting of the Audit and Risk Committee held on 12 November 2021 as shown in attachment 2
  - 5.2. approves the proposed changes to the Audit and Risk Committee Charter as set out in attachment 3.

**Attachments:**

1. Supporting Attachment (Page 2 of 21)
2. Audit and Risk Committee Minutes 7 May 2021 (Page 3 of 21)
3. Audit and Risk Committee Charter (Page 15 of 21)

## Supporting Attachment

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### Legal

1. No direct legal issues arise from the recommendation from management.
2. The ARC is an advisory committee of Council established in accordance with section 53 of the *Local Government Act 2020* (Act).

### Finance

3. There are no direct financial implications to Council in the recommendation of this report.

### Conflict of interest

4. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a material or general conflict of interest in relation to the matter of the report.

### Health and Safety

5. In developing this proposal, no Health and Safety issues or opportunities have been identified.

### Stakeholder consultation

6. External stakeholder consultation has not been undertaken. As specified in the Charter, ARC meetings are closed to members of the public.

### Relation to Council policy

7. Consistent with the requirements of the Act and the Charter, the establishment and maintenance of an Audit and Risk Committee will assist in the delivery of quality services that are responsive to business and community expectations, consistent with contemporary best practice, demonstrably cost effective and subject to public accountability.

### Environmental sustainability

8. Environmental sustainability issues or opportunities are considered not relevant to this proposal as it does not impact on the consumption/generation of water, waste, energy and/or greenhouse gases.

**MINUTES OF THE MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK COMMITTEE**  
**12 November 2021 at 9.30am**

Due to COVID-19 restrictions the meeting was held in a hybrid format, with a combination of in-person and virtual attendance.

<b>Present</b>	
<b>Members</b>	
Geoff Harry	Chairperson and Independent Member
Stuart Hall	Independent Member
Therese Ryan	Independent Member
Jamal Hakim	Councillor Member (attended from 10:00am)
Philip Le Liu	Councillor Member
<b>External Attendees</b>	
Chris Braithwaite	Internal Auditor, PwC
Sanchu Chummar	External Auditor, VAGO
Jung Yau	External Auditor, VAGO
<b>City Officers</b>	
Alison Leighton	Acting Chief Executive Officer
Michael Tenace	Chief Financial Officer
Michael Tonta	Director Governance
Liam Routledge	Director Finance & Investment
Michelle Fitzgerald	Chief Digital Officer
Ravin Balendran	Director Procurement and Contract Management
Jonathan Kambouris	Director City Projects
Melanie Odendaal	Director Property
Roger Nicholas	Head of Technology Platforms & Engineering
Dennis Quinn	Procurement Governance and Operations Manager
Celia Paine	Senior Safety and Wellbeing Advisor
Steven Baxas	Municipal Building Surveyor
Hugh Kilgower	Coordinator Risk Management (Acting)
Maggie Williams	Audit and Compliance Specialist

# UNCONFIRMED MINUTES

## 1 Opening of meeting

The meeting commenced at 9:40am. The Chair provided an acknowledgement to country.

## 2 Apologies

Justin Hanney - Chief Executive Officer

Angela Meinke - Director People, Culture and Leadership

## 3 Declaration of conflict of interest

There were no declarations of conflicts of interest.

## 4 Confirmation of Minutes from Previous Meeting

### 4.1 Confirmation of Minutes if Meeting held on 3 September 2021

The minutes of the meeting held on 3 September 2021 were confirmed without amendment on the motion of Therese Ryan, seconded by Stuart Hall.

### 4.2 Matters considered out of session

- 3 October - Governance Team advised the Audit and Risk Committee (ARC) that the Cyber Security Internal Audit scope is being expanded and will shortly come to ARC for endorsement.
- 15 October - Draft scope for Governance Internal Audit Review was circulated to the Audit and Risk Committee members.
- 26 October - Audit and Risk Committee 2020-21 Annual Activity Report was finalised and endorsed by Council. Copies were provided to Audit and Risk Committee members.

#### Outcomes/Actions:

1. That the out of session items are captured in the minutes and noted.

### 4.3 Reports taken as read

The Committee had the opportunity to consider which reports within the agenda were to be discussed. Those items, which were not identified for discussion, were taken as read.

Item	Reports Taken as Read
9.4	Approvals to Undertake Work in the Public Realm - Status update following internal audit

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9.5	Governance Review – Final Internal Audit Scope
11.1	Quarterly Financial Performance Report and Budget
11.2	City of Melbourne Annual Report 2020-21
12.1	Internal Control Framework and Overarching Governance Principles
13.1	Legislative Compliance Report
13.2	Governance and Claims Report
13.3	Audit and Risk Committee Charter Annual Review
14.1	Queen Victoria Market Quarterly Report
14.2	Citywide Service Solutions Quarterly Report
15.1	Findings from Integrity Agencies 1 April 2021 to 30 September 2021

Outcomes/Actions:

1. All the above reports were taken as read.

**5 Matters arising****5.1 Status of matters arising as at 29 October 2021**

The Chair noted the completion of a large number of actions since the last meeting. The Committee sought clarification regarding item 5.4 from the 6 August 2021 meeting. Following an explanation provided by the Audit and Compliance Specialist, the Committee agreed that the item could be closed.

No further items were raised.

Outcomes/Actions:

1. The Committee noted the report.

**5.2 Matters arising from Council Meeting (verbal)**

Councillor Le Liu provided an update regarding new board appointments to Citywide and Queen Victoria Market (QVM). Citywide board remains unchanged. Three new board members were appointed at QVM; Ms Sandhya Raskutti Chakravarty, Ms Emmanuele Vanessa Bermann and Mr Luke John Hilakari. Sandhya Raskutti will be replacing Patrick Burroughs as the QVM Audit and Risk Committee Chair.

Outcomes/Actions:

1. The Committee noted the changes to the QVM board and the appointment of the new QVM Audit and Risk Committee Chair.
2. The Chair to arrange a meeting with the new QVM ARC Chair to introduce himself and the City of Melbourne Audit and Risk Committee.

# UNCONFIRMED MINUTES

## 6 Annual Work Plan

### 6.1 Annual Work Plan

Following a review by the independent Audit and Risk Committee members, the Annual Work Plan has been rationalised with a view to reduce workload, better manage the length of the agenda and to enable greater strategic focus during ARC meetings.

The timing and frequency of reporting items have been revised and reordered. Branch Risk Briefings have been reintroduced into the Work Plan.

#### Outcomes/Actions:

1. The Committee noted the report.

### 6.2 Wholly Owned Subsidiary Governance Protocol ARC reporting obligations

The Committee requested further clarification regarding item 4.4.4 concerning the reporting of Annual Report requirements. Management confirmed that an adjustment is needed to include the Annual Report reporting requirements in the section of the Protocols relating to the subsidiaries reporting obligations to Council's Audit and Risk Committee.

Additionally, the Committee asked that any elements that are subject to continuous disclosure requirements be reported to the Audit and Risk Committee at the time of disclosure rather than as part of the subsidiary's quarterly reporting to the Committee. Management agreed to notify the Committee at the time of disclosure, noting that the communication protocols regarding continuous disclosure will need to be reviewed internally.

#### Outcomes/Actions:

1. Management to adjust the Wholly Owned Subsidiary Governance Protocol reporting obligations to include the Annual Report reporting requirements in the section of the Protocol relating to the subsidiaries reporting obligations to Council's Audit and Risk Committee.
2. Provision for the communication of continuous disclosure elements to the Audit and Risk Committee to be added to the Wholly Owned Subsidiary Governance Protocol.
3. Management to consider including subsidiary appointments and remuneration as part of the Wholly Owned Subsidiary Governance Protocol reporting process to ARC.
4. The Committee noted the report.

## 7 CEO Briefing

### 7.1 CEO Update

The Acting Chief Executive Officer presented an update on the Council Plan and Budget. It was noted that progress towards achieving the 52 Council Plan Major Initiatives are now being reported to Councillors on a monthly basis. Quarterly Public Reports will be presented to Council to inform the community of the performance of Council in relation to the following three performance indicators:

1. Council's performance against the Council Plan 2021-2025 strategic objectives.
2. The performance of the Council Works program, including the progress of the Council's major projects.
3. The financial performance of the Council and Budget, in accordance with the *Local Government Act 2020*.

# UNCONFIRMED MINUTES

The Acting Chief Executive Officer provided an update on Capital Works expenditure and the Operational Budget, emphasising that Council continues to work with the State Government on funding and initiatives to support Melbourne's recovery from the impacts of Covid-19.

A further update was provided on the Enterprise Agreement which has now been ratified by the Fair Work Commission and an overview was given regarding Council's Return to the Workplace plan, which provides a framework to support staff returning to the workplace as restrictions continue to ease.

Finally, Acting Chief Executive Officer outlined the Draft Corporate Strategy, which will articulate the critical objectives to support Council to deliver on the Council Plan.

#### Outcomes/Actions:

1. Council's response to climate change to be included in CEO's update going forward.
2. The Committee noted the report

*Councillor Hakim joined the meeting at 10:00am.*

## **8 Risk Management**

### **8.1 City Recovery and Reactivation Quarterly Risk Report**

The Acting Chief Executive Officer presented the report, which covers five key risks associated with the City's recovery and reactivation. Two risks remain amber status, namely the high vacancy rates and continued impacts of reduced pedestrian numbers on city visitation. As restrictions continue to ease visitor numbers will increase which will have a positive effect on the City's activation. The Committee enquired about ongoing State support for the City's reactivation, with management confirming that Council continues to work with the State government on important reactivation initiatives.

#### Outcomes/Actions:

1. The Committee noted the report.

### **8.2 Quarterly Risk Management Report**

Committee sought further details regarding the activation of The Executive Response Team (ERT), in particular what learnings came from the activation. The Coordinator Risk Management responded by outlining the activation of the ERT on 8 October in relation to a potential COVID-19 exposure within one of Council's administrative buildings.

There was a strong focus on staff safety, ensuring an effective response to the situation. In terms of learnings, it was identified that some systems required further updating and this was quickly addressed. Additionally, the App used to support activation and communication with key staff has been further enhanced to provide for both in person and remote meeting attendance.

#### Outcomes/Actions:

1. The Committee noted the report.

# UNCONFIRMED MINUTES

## 8.3 Quarterly Safety and Wellbeing Report

The report was presented by Senior Safety and Wellbeing Advisor, who noted that this was not a typical report due to the reporting quarter falling within a lockdown period, which impacted the type of incidents that were reported during that period.

There was a discussion regarding the nature and frequency of operational violence incidents experienced by Council's front line staff and how this challenge is being addressed by Council.

There were two WorkSafe notifiable incidents for the quarter. Both incidents related to a slip, trip, fall injury for staff resulting in one employee having a fractured metatarsal and the other a fractured rib.

### Outcomes/Actions:

1. The Committee requested that two additional metrics be included in the dashboard:
  - a. A breakdown of the types of operational violence incidents
  - b. Key vaccination metrics, for example the total % of staff that are double vaccinated.
2. The Committee requested that the colours used in the dashboard be changed to make the information easier to understand.
3. The Committee noted the report.

## 8.4 Quarterly Cyber Metrics report (inc. Stonnington Cyber Attack)

The Chief Digital Officer and the Head of Technology Platforms & Engineering presented two reports. The regular Cyber Metrics report and a report closing out the outcomes and actions taken as a result of the 2020 NTT Cybersecurity internal audit.

The Head of Technology Platforms & Engineering outlined brief details of the recent cyber-attack at City of Stonnington and addressed the Committee's questions regarding the City's ability to respond to an attack of a similar magnitude. An explanation was provided regarding the process that would enable Council's critical systems to be restored in a timely manner.

Two breaches occurred at Council during the reporting period and a potential third-breach was unsuccessful. Existing controls are being reviewed and enhanced in response to these breaches. A number of additional vulnerabilities were also addressed, in order to further reduce risk.

All actions from NTT's Cybersecurity internal audit have been now been implemented. Planning has begun for the upcoming PwC internal audit, which will be performed in two stages. The Scoping document will be available for Committee review week commencing 15 October.

### Outcomes/Actions:

1. Management to provide information to the Committee that address the process regarding applying patches and software updates, including how these processes are communicated within the organisation.
2. The Committee noted the report.



# UNCONFIRMED MINUTES

## 8.5 QVM Precinct Renewal Program Risk Summary Report

The Director City Projects, presented the report, highlighting that progress is being made to address risk #23, relating to insufficient and/or loss of key personnel, which will likely result in the risk being downgraded in the coming months. Risk #45 relating to the impacts of the COVID-19 pandemic continues to have a budgetary and operational flow-on effect, which is being managed closely and remains a heightened risk in relation to this project.

An update on the business case and delivery plan was presented to the Committee. Given the changes to the renewal program it was not possible to update the 2017 Business Case, so a new framework was developed known as an 'Economic Performance Update' (EPU). The EPU incorporates new project deliverables and timelines, while also accommodating the 2021 Future Market Strategy, as well as the ongoing impacts of COVID-19 on the market and the progression of the renewal program to date.

The Committee discussed elements of the EPU, focusing on net investment, in-kind support from the State Government, and local area benefits vs. total projects benefits, including opportunities for further funding support.

### Outcomes/Actions:

1. The Committee requested that the COVID-19 impacts be presented as separate cost elements in the next report, to support understanding of how the project is tracking against the individual elements.
2. Management to provide an update on opportunities for further funding through other means.
3. The Committee noted the report and requested ongoing updates as per the Work Plan schedule. Next report is due at the May 2022 meeting.

## 8.6 Procurement Report

Director Procurement and Contract Management presented the dashboard report, highlighting that this report is circulated to the Executive Leadership Team (ELT) on a monthly basis. Data cleansing initiatives were undertaken to reduce the number of active suppliers.

The Committee asked Council to consider the social impact aspect of Procurement. Director Procurement and Contract Management responded that this is addressed in Council's Sustainable Framework, which considers the social, economic and environmental sustainability.

### Outcomes/Actions:

- 1 Committee requested that totals be added to the tables in report.
- 2 The Committee noted the report and requested ongoing updates as per the Work Plan schedule. Next report is due at the May 2022 meeting.

## UNCONFIRMED MINUTES

### 8.7 Combustible Cladding update

The Committee questioned the basis of the significant increase in the number of buildings at risk since the last report. The Municipal Building Surveyor explained that State Government embarked on a new program which aims to identify the highest risk buildings to enable the appropriate allocation of funding. This further work resulted in the identification of further buildings with combustible cladding.

The Committee discussed the risks and Council's exposure in relation to this issue.

#### Outcomes/Actions:

1. Management to provide further information on the Council's risk exposure at the February 2022 meeting to assure the Committee that Council is not carrying undue risk in this area.
2. The Committee noted the report. The Committee noted the report and requested ongoing updates as per the Work Plan schedule. Next report is due at the May 2022 meeting.

### 8.8 Safety and Wellbeing Report- Items Falling from Ceilings

Clarification sought by the Committee regarding the number of instances of items falling from ceilings. The Director Property explained that only notifiable incidents are recorded in the report. In 2019 there were two notifiable incidents relating to items falling from ceilings in City of Melbourne facilities.

#### Outcomes/Actions:

1. The Committee noted the report.

## 9 Internal Audit Management

### 9.1 Internal audit status report 2021-2022 plan

The Chair noted that two internal audit reports will be presented to the Committee at the February 2022 meeting. PwC confirmed that all scope documents for 2021-22 reviews will be completed by the end of December 2021.

#### Outcomes/Actions:

1. The Committee requested that management communicate the result of any feedback provided by the Committee in relation to audit scopes, to assure the Committee that their feedback has been considered as part of the scoping process.
2. The Committee requested that the Internal audit status report include an estimated date of when each of the 2021-2022 internal audits is likely to be presented to the Audit and Risk Committee.
3. The Chair requested that the 'Hot Topic' be disseminated through the business where appropriate. In this instance, the report is to be shared with the Technology and Digital Innovation team.
4. The Committee noted the report

# UNCONFIRMED MINUTES

## 9.2 Status Report on Open Audit Actions

Chair made an observation that the Status Report on Open Audit Actions provides additional information relating to extension activity, which offers additional clarity to the Committee.

### Outcomes/Actions:

1. The Committee noted the report.

## 9.3 Purchasing and Tendering (Procurement) - Status update following internal audit

Director Procurement and Contract Management confirmed that all the actions arising from the internal audit have been implemented, apart from Purchase to Pay Process (P2P). Recommendations relating to P2P will be actioned as a component of the P2P project, which is scheduled to commence Q4 FY2021-22. Manual workarounds and controls will be strengthened in the interim to minimise risk.

Planning is underway for the upcoming internal audit, which will focus on capital works procurement.

### Outcomes/Actions:

1. Management to provide a report to the Committee at the May 2022 meeting regarding the annual review of the Procurement Policy, including a summary of the proposed changes and a marked up version of the Policy.
2. The Committee noted the report.

## 9.4 Approvals to Undertake Work in the Public Realm - Status update following internal audit

The Committee noted the report as read.

## 9.5 Governance Review – Final Internal Audit Scope

The Committee noted the report as read.

## 10 External Audit

### 10.1 External Audit update (verbal update)

A verbal external audit update was provided by Acting Sector Director, VAGO. Planning for the 2021-22 audit has commenced and no accounting standard changes are anticipated. The external audit strategy will be presented by VAGO at the February 2022 meeting.

VAGO have appointed Mr Travis Derricott as the new Financial Audit Sector Director.

### 10.2 Recently Released Performance Audit Reports

The Acting Sector Director, VAGO, presented the report, highlighting City of Melbourne's involvement in the ongoing Council Waste Management Services assurance review.

### Outcomes/Actions:

1. The Committee noted the report.

# UNCONFIRMED MINUTES

## 11 Financial Performance & Reporting

### 11.1 Quarterly Financial Performance Report and Budget

The Committee noted the report as read.

### 11.2 City of Melbourne Annual Report 2020-21

#### Outcomes/Actions:

1. Management to review the Audit and Risk member biographies on the City of Melbourne website.
2. The Committee noted the report.

## 12 Internal Control Framework

### 12.1 Internal Control Framework and Overarching Governance Principles

The Chair observed that the Internal Control Framework is being developing into a valuable document for the Committee.

#### Outcomes/Actions:

1. The Committee noted the report as read.

### 12.2 Accounts Receivable Policy

Director Finance & Investment outlined the Accounts Receivable Policy which was reviewed to align with the *Local Government Act 2020* (the Act). Discussion focused on cash flow forecasting and cash management scenarios. The Committee were satisfied with the responses provided by management.

The Chair enquired whether the Accounts Receivable Policy was linked to Council's Hardship Policy. Management confirmed that the two Policies were aligned.

The Committee sought confirmation that the Overarching Governance Principles were considered during the review process of the Policy. The Chief Financial Officer confirmed that all the requirements in the Act were considered during the review.

#### Outcomes/Actions:

1. The Committee noted the report.

### 12.3 Treasury Policy

The Treasury Policy was discussed, with a focus on risk appetite and duration of investments. The Committee questioned their role in relation to risk mitigation and exposure as outlined in the Policy. Management agreed that further consideration was needed to refine the role of the Committee and the Policy needed to be updated to reflect this.

#### Outcomes/Actions:

1. At the February 2022 meeting, management to advise whether an amendment should be made to the Treasury Policy to refine the role of the Audit and Risk Committee, or alternatively, whether the Committee will receive additional reporting at ARC meetings in order to fulfil the risk mitigation and exposure obligations outlined in the current iteration of the Policy.

## **UNCONFIRMED MINUTES**

2. For future Finance Policy reviews, the Committee requested that a marked up copy of each Policy be circulated to the Audit and Risk Committee prior to the Policy going to Council for endorsement.
3. The Committee noted the report.

### **13 Governance and Compliance**

#### **13.1 Legislative Compliance Report**

The Committee noted the report as read.

#### **13.2 Governance and Claims Report**

The Committee noted the report as read.

#### **13.3 Audit and Risk Committee Charter Annual Review**

The Committee noted the report as read.

### **14 Subsidiary company reporting**

#### **14.1 Queen Victoria Market Quarterly Report**

The Committee noted the report as read.

#### **14.2 Citywide Service Solutions Quarterly Report**

The Committee noted the report as read.

### **15 Integrity body Reports**

#### **15.1 Findings from Integrity Agencies 1 April 2021 to 30 September 2021**

The Committee noted the report as read.

# UNCONFIRMED MINUTES

## 16 Other Business

### 16.1 Audit and Risk Committee Performance Assessment Survey

The Chair presented the Audit and Risk Committee Performance Assessment report. The Chair observed that that this year's scores were generally stronger than last year's. The Committee discussed the insights that were raised in the survey and the actions that are underway to address the points raised. It was noted that there was strong positive feedback and that action was being taken on the identified opportunities for improvement.

#### Outcomes/Actions:

1. The Committee noted the report.

### 16.2 Other Matters

Recruitment process for a new independent member will be undertaken early 2022.

## 17 Matters for presentation to the next/upcoming Council meeting

The unconfirmed minutes from the Audit and Risk Committee meeting held on 12 November will be presented at the December Council meeting.

## 18 Discussion on Meeting Outcomes

Councillor Hakim raised the Lady Huntingfield project as a potential future case study for internal learnings. Management agreed that there would be value in undertaking a review of the Lady Huntingfield project.

The Committee discussed the upcoming agenda items for the February meeting, noting that Branch Risk Briefings have been reintroduced into the 2022 ARC Work Plan. The Chair initiated a conversation regarding climate change and Council's waste management strategy.

#### Outcomes/Actions:

1. At the February 2022 meeting, management to propose an approach for the review of the Lady Huntingfield project.
2. Management to present a report at the February 2022 meeting regarding how Council is managing the risk of climate change.
3. Management to present a report at the May 2022 meeting regarding Council's waste management strategy and initiatives. This report will replace one of the three Branch Risk Briefings scheduled in the 2022 ARC Work Plan.
4. Council's Corporate Strategy, including risk appetite statements, to be presented at the May 2022 meeting for Committee review.

## 19 Future Meetings

The next meeting is scheduled for 11 February 2022

## 20 Meeting close

The meeting concluded at 01:02pm

Chairperson  
Audit and Risk Committee  
City of Melbourne

Attachment 3  
Agenda item 6.5  
Council  
14 December 2021



# City of Melbourne Audit and Risk Committee Charter

As approved by Council on (date) TBD ~~Council 28 July 2020~~

## How to understand tracked changes

- **Blue** text indicates text that have been added to the document
- **Red** text that has been struck through indicates text that has been deleted from the document
- **Black** text indicates original text

## 1. Purpose of this Charter

The purpose of this charter is to facilitate the operation of the Council's Audit and Risk Committee (the Committee). This charter is prepared and approved by the Melbourne City Council (Council) pursuant to section 54 (1) of the *Local Government Act 2020* (the Act).

## 2. Introduction

The Committee is established by the Council in accordance with section 53 (1) of the Act. The Committee is not a delegated committee of Council and does not have executive powers or authority to implement actions in areas over which Council management (management) has responsibility nor any delegated financial responsibility. The Committee does not have any management functions and is therefore independent of management.

The Committee's role is to report to the Council and provide appropriate advice and recommendations on matters relevant to its charter in order to facilitate decision making by the organisation comprising Council and management, in relation to the discharge of its responsibilities.

The Committee's functions and responsibilities include monitoring the compliance of Council policies and procedures with the overarching general principles set out in section 9(2) of the Act, and the regulations and any Ministerial directions under the Act.

## 3. Objectives

The objectives of the Committee, in relation to Council and its subsidiaries, are to oversee:

- 3.1 the integrity of external financial reporting, including accounting policies
- 3.2 the scope of work, objectivity, performance and independence of the external and internal auditors
- 3.3 the establishment, effectiveness and maintenance of controls and systems to safeguard financial and physical resources
- 3.4 the systems or procedures that are designed to ensure compliance with relevant statutory and regulatory requirements
- 3.5 the process for recognising risks arising from operations and strategies, and consider the adequacy of measures taken to manage those risks
- 3.6 the process and systems which protect against fraud and improper activities including the Protected Disclosures Act procedures.

The Committee seeks also to add to the credibility of Council and its subsidiaries by promoting ethical standards through its work.

## 4. Authority

### **Council**

The Committee has the authority to:

- 4.1 Review the internal and external auditor's annual audit plans and the outcomes/results of all audits undertaken.
- 4.2 Seek any information or advice it requires from Council members, and management via the Chief Executive Officer and external parties.
- 4.3 Formally meet with management, internal and external auditors as necessary.
- 4.4 Seek resolution on any disagreements between management and the external auditors on financial reporting.



### **Council's subsidiaries**

The Committee has the authority to seek any information or advice it requires from the subsidiaries of Council via the Chairpersons of the Boards or their Chief Executive.

### **General**

The Committee has the authority to advise Council on any or all of the above as deemed necessary.

## **5. Composition**

- 5.1 The Committee will comprise five members, three being independent and two Councillors.
- 5.2 In accordance with section 53(3(c) of the Act, the Committee will not include any person who is a member of Council staff.
- 5.3 The Council will appoint Committee members. In appointing members to the Committee, the Council will consider gender balance.
- 5.4 The Chair will be independent of Council and management, and will be appointed by the Committee annually by election by all committee members, and ratified by Council.
- 5.5 The Committee is authorised to appoint an Acting Chair, from the independent members, when required.
- 5.6 The members, taken collectively, will have a broad range of skills and experience relevant to the operations of the Council including expertise in financial management and risk and experience in public sector management.
- 5.7 Independent members will be appointed for an initial period not exceeding three years. Members may be re-appointed for a further period. Members will not be appointed for more than three consecutive terms.
- 5.8 A quorum will be a majority of members that must include at least one Councillor. The number of independent members at each meeting must equal or exceed the number of Councillors.
- 5.9 Independent members will be remunerated at a rate set by Council.
- 5.10 Section 123 (Misuse of position), section 125 (Confidential information) and Division 2 of Part 6 (Conflict of interest) of the Act, apply to an independent member of the Committee as if the member were a member of a delegated Committee of Council.
- 5.11 New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

## **6. Meetings**

- 6.1 The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require.
- 6.2 Additional meetings may be called by the Chair of the Committee, or at the request of the Lord Mayor or Chief Executive Officer.
- 6.3 The Committee meetings are closed to the public.
- 6.4 All Councillors are invited to attend each Committee meeting.
- 6.5 All Committee members are expected to attend each meeting in person, [unless restrictions are in place from time to time that require or make practical that the member\(s\) attend remotely.](#)

- 6.6 The Chief Executive Officer will facilitate the meetings of the Committee and invite members of management, internal and external auditors or others to attend meetings as observers and to provide pertinent information, as necessary.
- 6.7 The Committee will develop a forward meeting schedule that includes the dates, location, and content of the annual work program for each meeting for the forthcoming year, that cover all the functions and responsibilities outlined in this charter.
- 6.8 Meeting agendas will be prepared and provided at least one week in advance to members, along with appropriate briefing materials.
- 6.9 Minutes will be taken at each meeting and presented to the subsequent meeting for confirmation.

## 7. Functions and responsibilities

The Committee will carry out the following functions and responsibilities:

### 7.1 Risk management and fraud prevention

- 7.1.1 Monitor and provide advice on risk management systems and controls.
- 7.1.2 Review whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of Council's business and financial risks.
- 7.1.3 Determine whether a sound and effective approach has been followed in managing Council's major risks including those associated with individual projects, program implementation, and activities.
- 7.1.4 Assess the impact of the Council's enterprise risk management framework on its control environment and insurance arrangements.
- 7.1.5 Monitor and provide advice on fraud prevention systems and controls to assist Council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.

### 7.2 Business continuity

- 7.2.1 Consider whether a sound and effective approach has been followed in establishing Council's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

### 7.3 Internal control

- 7.3.1 Review whether management's approach to maintaining an effective internal control framework is sound and effective.
- 7.3.2 Review whether management has in place relevant policies and procedures, including Chief Executive Officer's Instructions or their equivalent, and that these are periodically reviewed and updated.
- 7.3.3 Consider whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.
- 7.3.4 Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- 7.3.5 Consider how management identifies any required changes to the design or implementation of key internal controls.

#### 7.4 Compliance

- 7.4.1 Monitor the compliance of Council's policies and procedures with the overarching governance principles set out in section 9(2) of the Act and the regulations and any ministerial directions under the Act.
- 7.4.2 Review the systems and processes to monitor the effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 7.4.3 Keep informed of the findings of any examinations by regulatory agencies and any auditor (internal or external) observations and monitor management's response to these findings.
- 7.4.4 Obtain regular updates from management about compliance matters.

#### 7.5 Internal audit

- 7.5.1 Review with management and the internal auditor the charter, activities, staffing, and organisational structure of the internal audit function.
- 7.5.2 Review the specifications for the Provision of Internal Audit Services contract and participate in the tender evaluation process.
- 7.5.3 Review and recommend the annual internal audit plan for endorsement by the Council and all major changes to the plan.
- 7.5.4 Monitor that the internal auditor's annual plan is linked with and covers the material business risks.
- 7.5.5 Monitor processes and practices to ensure that the independence of the internal audit function is maintained.
- 7.5.6 Annually review the performance of internal audit including the level of satisfaction with the internal audit function having consideration of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- 7.5.7 Provide an opportunity for the Committee to meet with the internal auditor to discuss any matters that the Committee or internal auditor believes should be discussed privately.
- 7.5.8 Review all internal audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 7.5.9 Monitor management's implementation of internal audit recommendations.

#### 7.6 External audit

- 7.6.1 Note the external auditor's proposed audit scope and approach for financial and performance audits, including any reliance on internal auditor activity.
- 7.6.2 Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and ensure the Council implements relevant recommendations.
- 7.6.3 Monitor processes and practices to ensure that the independence of the external audit function is maintained.
- 7.6.4 Provide an opportunity for the Committee to meet with the external auditors to discuss any matters that the Committee or the external auditors believe should be discussed privately.

- 7.6.5 Review all external audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 7.6.6 Annually review the performance of external audit including the level of satisfaction with the external audit function.
- 7.6.7 Monitor management's implementation of external audit recommendations.

#### **7.7 Subsidiary Companies**

- 7.7.1 Note and consider the annual Internal Audit Plan and, through quarterly reporting, note the Audit Status Report detailing progress against the plan, issues and risks identified and remedial activities scheduled.
- 7.7.2 Note and consider the annual Internal Audit Report, summarising the status of all Internal Audit recommendations.
- 7.7.3 Note and consider the macro risk profile annually and the risk matrix that identifies the top five key strategic risks. Through quarterly reporting, note any new or changing risks that impact the risk profile and/or the key strategic risks.
- 7.7.4 Note and consider through quarterly reporting, information relating to:
  - OH&S statistic and major incidents and near misses
  - actual and potential fraud activity
  - legal claims
  - instances of non-conformance with laws and regulations
  - proposed changes to accounting policies
  - material, unusual accounting transactions and adjustments.
- 7.7.5 The Chair of the Committee will meet with the Chairs of the subsidiary Committees at least annually for exchange of information and ideas.
- 7.7.6 Note and consider the External Auditor's annual management letter.
- 7.7.7 Note and consider the annual report from the subsidiaries relating to the performance of their Internal and External Auditors.
- 7.7.8 Note and consider the Committee charters of the subsidiaries and any subsequent changes thereto.

#### **7.8 Financial report**

- 7.8.1 Monitor Council's financial and performance reporting.
- 7.8.2 Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- 7.8.3 Review with management and the external auditors the results of the audit, including any difficulties encountered.
- 7.8.4 Review the annual financial report and performance report of the Council and its subsidiaries, and consider whether it is complete, consistent with information known to Committee members, and reflects appropriate accounting principles.
- 7.8.5 Review the process for the consolidation of financial information of Council related entities into the financial reports of Council.

- 7.8.6 Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.
- 7.8.7 Recommend the adoption of the Consolidated Financial Statements to Council.

**7.9 Reporting responsibilities**

- 7.9.1 Report regularly to the Council about Committee activities, issues, and related recommendations through circulation of minutes.
- 7.9.2 Undertake an annual assessment of the Committee's performance against this charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting in accordance with section 54 (4)(a) and (b) of the Act.
- 7.9.3 As required by section 54(5)(a) and (b) of the Act, the Committee Chairperson must provide a bi-annual audit and risk report to the Chief Executive Officer which:
  - summarises the activities of the Committee during the past 6 months;
  - provide any findings and recommendations in relation to the functions of the Committee;
 and request that the Chief Executive Officer table the report at the next Council meeting, and the Committee's biannual audit and risk report as required by section 54(5)(a) and (b) of the Act. Additional updates may be appropriate should issues of concern arise.

~~7.9.4~~ 7.9.4 Monitor that open communication occurs between the internal auditor, the external auditor, and the management.

**7.10 Other Responsibilities**

- 7.10.1 Perform other activities related to this charter as requested by the Council.
- 7.10.2 Annually review and assess the adequacy of this charter, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.
- ~~7.10.3~~ Undertake an annual assessment of the Committee's performance against this charter and provide a copy of the annual assessment to the Chief Executive Officer for tabling at the next Council meeting in accordance with section 54 (4)(a) and (b) of the Act.

**7.11 Transparency measures adopted**

- 7.11.1 The Committee Performance Report is to be presented to Council annually and published on the Council's website.
- 7.11.2 A 'one-off' End of Council Term Report is to be presented prior to the end of each Council term to a closed session of Council, before the caretaker period commences.
- ~~7.11.3~~ A briefing paper from the Committee is to be sent to Councillors after each of the four regular Committee meetings summarising progress, matters discussed and any issues the Committee wishes to share with all Councillors.
- 7.11.4 The Chair of the Committee will, on request, present a summary of the Committees activities and findings to a Councillor Forum annually, followed by an in-camera session with Councillors immediately after the conclusion of Councillor Forum.
- 7.11.5 Internal audit reports and external audit reports shall not be made public.

Commented [A1]: Not required as Councillors receive the minutes from each meeting