

**Management report to Council**

**Agenda item 6.3**

**Referred documents from the 11 February 2022 Audit and Risk Committee Meeting**

**Council**

**Presenter:** Michael Tonta, Director Governance

**29 March 2022**

**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 11 February 2022.
2. Forwarding the minutes from the ARC to Council is a requirement under its Charter.

**Key issues**

3. The ARC noted that the following matter would be presented to Council:
  - 3.1. The unconfirmed minutes of the 11 February 2022 ARC meeting (refer **Attachment 2**).

**Recommendation from management**

4. That Council notes the minutes of the meeting of the Audit and Risk Committee held on 11 February 2022 as shown in Attachment 2 of the report from management.

**Attachments:**

1. Supporting Attachment (Page 2 of 15)
2. Audit and Risk Committee Minutes 11 February 2022 (Page 3 of 15)

## Supporting Attachment

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### Legal

1. No direct legal issues arise from the recommendation from management.
2. The ARC is 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.

**29 March 2022**

**MINUTES OF THE MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK COMMITTEE**  
**11 February 2022 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
Philip Le Liu	Councillor Member
<b>External Attendees</b>	
Chris Braithwaite	Internal Auditor, PwC
Brett Wong	Internal Auditor, PwC
Brett Hayes	Director Cyber Security and Digital Trust, PwC
Travis Derricott	External Auditor, VAGO
Jung Yau	External Auditor, VAGO
Jeff Webb	JNW Strategic Consulting
<b>City Officers</b>	
Michael Tenace	Acting Chief Executive Officer / Chief Financial Officer
Michael Tonta	Director Governance
Liam Routledge	Director Finance & Investment
Stacey O'Toole	(Acting) Chief Digital Officer
Angela Meinke	Director People, Culture and Leadership
Mia Skinner	(Acting) Director Procurement and Contract Management
Tiffany Crawford	Co-Director Climate Change and City Resilience
Roger Nicholas	Head of Technology Platforms & Engineering
Dennis Quinn	Procurement Governance and Operations Manager
Ross Goeman	Manager Corporate Performance and Strategic Risk
Maggie Williams	Audit and Compliance Specialist

# UNCONFIRMED MINUTES

## 1 Opening of meeting

The meeting commenced at 9:45am. The Chair provided an acknowledgement to country.

## 2 Apologies

Justin Hanney - Chief Executive Officer

Jonathan Kambouris - Director City Projects

## 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 12 November 2021

The minutes of the meeting held on 12 November 2021 were confirmed without amendment on the motion of Cr Hakim, seconded by Therese Ryan.

### 4.2 Matters considered out of session

Since the last meeting held on 12 November 2021, the following matters were considered out of session:

- **QVMPR Business Case**

The QVM Precinct Redevelopment Program continues to be reviewed due to the impacts of COVID-19 and the challenges this presents in delivering on the key project activities. An update will be provided at the next Audit and Risk Committee.

- **Internal Audit Review Scope – Cyber Security Assessment**

Draft scope for the Cyber Security Assessment was circulated to the Audit and Risk Committee members on 19 November 2021.

- **Internal Audit Review Scope – Procurement**

Draft Procurement review scope was circulated to the Audit and Risk Committee members on 20 December 2021.

- **Strategic Risks**

Suggestions from Cr Hakim to map the strategic risks to the Council Plan and six strategic goals.

- **Internal Audit Review Scope – PeopleConnect**

Draft PeopleConnect review scope was circulated to the Audit and Risk Committee members on 10 January 2022.

# UNCONFIRMED MINUTES

- **Internal Audit Review Scope – Grants Management**

Draft Grants Management review scope was circulated to the Audit and Risk Committee members on 10 January 2022.

- **Changes to Wholly Owned Subsidiary Governance Protocols**

Proposed changes to the Wholly Owned Subsidiary Governance Protocol Audit and Risk Committee reporting obligations circulated to the Audit and Risk Committee members on 28 January 2022.

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
6.1	Annual Work Plan
9.1	Status Report on Open Audit Items
9.2	Southbank Boulevard Report
11.1	Quarterly Financial Report
12.1	Internal Control Framework and Overarching Governance Principles
13.1	Legislative Compliance Report
13.2	Governance & Claims Report
14.1	QVM Quarterly Report
14.2	Citywide Services Quarterly Report
15.1	Integrity Body Reports

Outcomes/Actions:

1. All the above reports were taken as read.

# UNCONFIRMED MINUTES

## 5 Matters arising

### 5.1 Status of matters arising as at 28 January 2022

The Chair noted that the Southbank Boulevard item regarding the Final Implementation Audit Report would not be discussed at this meeting but any questions arising from the report will be dealt with out of session. It was also noted that the Combustible Cladding update would be presented at the May meeting, rather than the February meeting.

The Chair sought clarification from the Director Finance & Investment regarding the status of the VAGO's final management letter. The Director Finance & Investment indicated that all outstanding items have been actioned.

The Committee sought confirmation that the role of the Audit and Risk Committee had been updated in the Treasury Policy. Director Finance & Investment confirmed that the wording had been updated. The updated Treasury policy with associated amended wording will be presented at the May meeting.

A question was raised by a Committee member regarding whether management had considered including subsidiary appointments and remuneration as part of the Wholly Owned Subsidiary Governance Protocol reporting process to the Audit and Risk Committee. The Acting Chief Executive Officer confirmed that the Protocols were currently undergoing their annual review and the subsidiary appointments and remuneration suggestion would be considered as part of the annual review.

#### Outcomes/Actions:

1. Committee suggested that the word 'ensure' be replaced with 'enable' in the Treasury Policy section regarding the role of the Audit and Risk Committee.
2. Treasury Policy with associated amended wording will be presented at the May meeting.
3. Management to present a report at the May 2022 meeting outlining the outcomes of the Wholly Owned Subsidiary Governance Protocol annual review.
4. The Committee noted the report.

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

Cr Hakim provided an update on matters arising from recent Council and Committee meetings, including QVM and Citywide annual reporting, adoption of a revised Customer Complaint Policy, an initiative to make Melbourne the world's best city for student experience, adoption of a new CEO Employment and Remuneration Policy and the proposed creation of Invest Melbourne Advisory Board.

The Committee was informed about the recent Council Plan and Budget Councillor / ELT Workshop which provided an opportunity for Councillors and senior management to come together to discuss the delivery of the Council Plan and drafting the 2022-23 Budget.

#### Outcomes/Actions:

1. The Committee acknowledged the Council's full schedule and thanked Cr Hakim for the update.

# UNCONFIRMED MINUTES

## 6 Annual Work Plan

### 6.1 Annual Work Plan

#### Outcomes/Actions:

1. The Committee noted the report as read.

## 7 CEO Briefing

### 7.1 CEO Update

The Acting Chief Executive Officer presented an update on the Council Budget, impacts of COVID-19, corporate planning activities and an overview of Council's response to Climate Change. It was noted that Council is revising their budget forecasts in response to the continued impacts of COVID-19.

The city's recovery continues to be impacted by COVID-19, which continues to see low office based workers in the CBD, although foot traffic is increasing which is a positive sign. There continues to be ongoing focus on public messaging and advocacy encouraging workers to come back to the city.

The Acting Chief Executive Officer highlighted that the Council Plan 2021-2025 is a thoroughly developed document that reflects Council's plan for the next 4 years and gives management a clear focus for delivery. Over the past 12 months, significant effort has gone into delivering on the Council Plan, including allocation of budget and staffing resources. The Corporate Strategy has just been launched which is internally-focused and complements the Council Plan.

Finally, Acting Chief Executive Officer outlined Council's Climate Change response, which focuses on mitigating the causes and adapting to the effects of climate change.

#### Outcomes/Actions:

1. The Corporate Strategy to be circulated to the Audit and Risk Committee
2. The Committee noted the report

## 8 Risk Management

### 8.1 City Recovery and Reactivation Quarterly Risk Report

#### Outcomes/Actions:

1. The Committee noted the report as read.

### 8.2 Quarterly Risk Management Report

Director Governance presented the risk management update. The Committee provided feedback on the PCI DRAFT Framework and PCI Advisory Group Terms of Reference, which was noted by management.

#### Outcomes/Actions

1. The Committee noted the report as read.

# UNCONFIRMED MINUTES

## 8.3 Strategic Risk Refresh

The Chair welcomed Jeff Webb from JNW Strategic Consulting. Mr Webb presented the Strategic Risk Refresh report, outlining the process undertaken and the key elements within the report. Mr Webb highlighted the opportunity to reinvigorate the risk program and further consolidate and focus Council's strategic risks to strengthen the connection to specific objectives in the Council Plan.

The Manager Corporate Performance and Strategic Risk added that the Corporate Strategy needs to sit alongside the Council Plan and strategic risks, outlining management's intentions to refresh the Strategic Risk Framework including the implementation of a new risk management system.

The Chair noted the positive response from the Committee members regarding the report. The Committee discussed the report, raising a concern that there is an excessive focus on residual risk, rather than unmitigated risk, including the impact of controls which reduce the unmitigated risks. The Committee commented that there is an opportunity to further refine the number of strategic risks by aligning them to the Council Plan, emphasising the need to consider risk appetite as part of Council's risk strategy. The Committee suggested there should be a greater focus on work place safety and public safety within the strategic risks.

### Outcomes/Actions:

1. Management to present a report at the May meeting outlining a 12 month work plan for the risk area. The Committee noted the report.

## 8.4 Quarterly Cyber Metrics report

The Chief Digital Officer and the Head of Technology Platforms & Engineering presented the Cyber Metrics report, highlighting recent global cyber security incidents. The Committee emphasised that the timing of installing patches to software to address identified issues was critical.

An overview was provided on Phase 1 of PwC's Cyber Security internal audit. Phase 2 of the audit has commenced. An update was provided on malicious email attacks and incidents of phishing.

### Outcomes/Actions:

1. The Committee noted the report.



# UNCONFIRMED MINUTES

## 8.5 Procurement Report

Director Procurement and Contract Management presented the dashboard report, highlighting an expected increase in spend due to the capital works program. The introduction of the supplier relationship management program assists in assessing the risk that each new supplier brings into the organisation and how those risks are managed.

The COMBuy system has been rolled out for the Request For Quote (RFQ) process, which will bring efficiency and transparency in ordering and contract management.

### Outcomes/Actions:

1. The Committee noted the report.

## 8.6 Climate Risk Management Report

The Co-Director Climate Change and City Resilience presented the report, emphasising that the City of Melbourne has been recognised as a leader in Climate Change for a number of years. Council's work in relation to climate change is guided by the Council Plan. Council's response to climate change is divided into two categories; mitigation, which involves the reduction of greenhouse gas emissions; and adaption which involves taking actions and preparing for the actual and expected impacts of climate change.

The Co-Director Climate Change and City Resilience outlined the actions that Council is taking to manage climate risk, including cutting operational emissions by 78% between 2012 - 2020; purchasing 100 per cent renewable energy through the Melbourne Renewable Energy project; planting 3,000 trees per year to grow our urban forest; investing \$40 million in stormwater harvesting and water sensitive urban design; greening the city and accelerating waste avoidance and resource recovery through centralised garbage and recycling hubs across the central city.

One of the Council's major initiatives is to prepare residents and enhance the community's resilience to climate change hazards and disasters. This will be a focus in 2022.

The Committee discussed stakeholder engagement and risk management considerations, which management confirmed were important aspects of Council's climate change strategy.

### Outcomes/Actions:

1. Committee requested that the Climate Change report would be added to the work plan and presented to the Committee on an annual basis.
2. The Committee noted the report.

# UNCONFIRMED MINUTES

## 9 Internal Audit Management

### 9.1 Status Report on Open Status

#### Outcomes/Actions:

1. The Committee noted the report.

### 9.2 Southbank Boulevard – Final implementation Audit Report

#### Outcomes/Actions:

1. The Committee requested an update on the new Project Management Framework; its impact on the on the Southbank Boulevard project and the framework's broader application within the organisation.
2. The Committee noted the report.

### 9.3 Internal audit status report 2020-2021 Plan

The report was presented by Chris Braithwaite from PwC, who acknowledged that PwC are behind in the delivery of the Internal Audit Plan. With four projects underway, PwC are confident that they will catch-up and deliver the 2021-22 internal audit plan by the August meeting.

It was noted that ICT Strategy and Delivery Framework review has been deferred to the next financial year and that the Food Premise Health Inspections review would take its place.

#### Outcomes/Actions:

1. The Committee noted the report.

### 9.4 Cyber Security Review – Phase 1: Red Team

The Chair welcomed Brett Hayes from PwC to the meeting. Mr Hayes provided an overview of the Cyber Security review. The review was a 'Red Team' exercise where the point of the audit was to simulate a targeted cyber-attack to test the resilience of City of Melbourne's systems. A Red Team exercise is designed to test processes, people and technology. Both internal and external attacks were simulated.

Areas of improvement were identified and have been addressed.

The Committee discussed elements of the Red Team, including how City of Melbourne compared to other Councils in relation to cyber security. The Chief Digital Officer highlighted that the City of Melbourne has a security program in place that proactively monitors cyber security. The second phase of the audit will focus on reviewing the program, processes and investments to further strengthen cyber security.

#### Outcomes/Actions:

1. Management to present a report at the May meeting outlining the progress made on the recommendations identified in the Red Team review.
2. The Committee noted the report.

# UNCONFIRMED MINUTES

## 9.5 Governance Review

PwC confirmed that the Governance review is nearing completion and will be presented at the May meeting.

## 9.6 Procurement Review - Final Internal Audit Scope

### Outcomes/Actions:

1. The Committee noted the report.

## 9.7 Success Factors (HRIS) Pre-Implementation review – Final Audit Scope

Chris Braithwaite from PwC presented the report, outlining that this will be a technical review which tests whether the system is ready for use.

The Committee queried what governance arrangements are in place for the Success Factors project. The Chief Digital Officer outlined the structured governance process that oversees all major technology transformation projects. The Director People, Culture and Leadership further elaborated on the governance oversight of the project, in particular risk assessments and gating controls.

### Outcomes/Actions:

1. The Committee noted the report.

## 9.8 Grants Management \$100M Melbourne Recovery - Final Audit Scope

### Outcomes/Actions:

1. The Committee noted the report.

## 9.9 Emergency and Crisis Management - Final Audit Scope

### Outcomes/Actions:

1. The Committee noted the report.

## 9.10 Food Premise Health Inspections - Final Internal Audit Scope

### Outcomes/Actions:

1. The Committee noted the report.

## 9.11 Cyber Security Review - Phase 2: Cyber Risk Governance - Final Audit Scope

### Outcomes/Actions:

1. The Committee noted the report.

# UNCONFIRMED MINUTES

## 9.12 Parking Modernisation Pre-implementation review - verbal update

At management's request, PwC are re-working the scope due to a change in the review focus. Once approved by management, the revised scope will be circulated to the Committee out of session for their feedback.

## 10 External Audit

### 10.1 VAGO Status Report

The Chair invited new VAGO Sector Director, Travis Derricott, to introduce himself to the Committee. VAGO informed the Committee that the review of the City of Melbourne Group will include Citywide and QVM, with audits running concurrently to ensure the timely preparation of the consolidated accounts.

The Chair noted that the Regent Management Company audit for FY20/21 is still in progress. VAGO confirmed there was a delay in finalising the audit due to access to asset registers, however the audit is due to be finalised in the next few weeks.

VAGO provided an overview of the Information Technology General Controls review strategy. The scope of the IT work with respect to the financial reporting systems will include:

- IT Governance
- Security and data integrity
- Change management
- Transition of TechOne to the Cloud and the implementation of a new payroll system

#### Outcomes/Actions:

1. The Committee noted that the Regent Management Company was slow with its financials for FY20/21 and should similar delays be encountered in FY21/22 the Committee will be made aware of the delays.
2. The Committee noted the report.

### 10.2 VAGO 2021-22 Draft Audit Strategy

The Sector Director, VAGO, presented the report, highlighting that the draft audit strategy has been reviewed by City of Melbourne's management. The key changes impacting the 21/22 audit are the second Melbourne Recovery Fund grant, transition to TechOne cloud and the new payroll system. Further considerations include the QVM refurbishment and the impact of COVID-19 on the financial report.

The Chair enquired whether VAGO's would be conducting 2021-22 audits on-site or remotely, indicating that an on-site presence was strongly preferred. VAGO advised that they would update the Committee on the plans for the 2021-22 audits at the next meeting.

#### Outcomes/Actions:

1. The Committee noted the report.

# UNCONFIRMED MINUTES

## 11 Financial Performance & Reporting

### 11.1 Quarterly Financial Performance Report and Budget

#### Outcomes/Actions:

1. The Committee noted the report

## 12 Internal Control Framework

### 12.1 Internal Control Framework and Overarching Governance Principles

#### Outcomes/Actions:

1. The Committee noted the report.

### 12.2 Occupational Health and Safety Policy

The Director People, Culture and Leadership presented the report, explaining that the Policy is a statement of Council's position and that the Policy is reinforced by a series of more detailed supporting documents.

#### Outcomes/Actions:

1. Management to provide the Committee with the supporting Occupational Health and Safety documents.
2. The Committee noted the report.

### 12.3 City of Melbourne Code of Conduct

The Director People, Culture and Leadership outlined the revisions to the Code of Conduct, which took into consideration the changes to the *Local Government Act 2020*. Revisions included acknowledgment to traditional owners, gifts and hospitality provisions and reference to Council's disciplinary policy in relation to fraud and corruption.

The Committee discussed the document, suggesting the fraud and corruption definition needed revision to be consistent with CoM's Fraud and Corruption policy.

#### Outcomes/Actions:

1. The Committee noted the report.

# UNCONFIRMED MINUTES

## 13 Governance and Compliance

### 13.1 Legislative Compliance Report

#### Outcomes/Actions:

1. The Committee noted the report

### 13.2 Governance and Claims Report

#### Outcomes/Actions:

1. The Committee noted the report.

## 14 Subsidiary company reporting

### 14.1 Queen Victoria Market Quarterly Report

#### Outcomes/Actions:

1. The Committee noted the report.

### 14.2 Citywide Service Solutions Quarterly Report

#### Outcomes/Actions:

1. The Committee noted the report.

## 15 Integrity body Reports

### 15.1 Findings from Integrity Agencies 1 October 2021 to 31 December 2021

#### Outcomes/Actions:

1. The Committee noted the report.

## 16 Other Business

### 16.1 New Committee Member Recruitment

The Director Governance confirmed that the member recruitment process will commence shortly, anticipating to be in the market at the end of February with the intent to get Council approval at the April Council meeting. This will enable the new member to attend the May Audit and Risk Committee meeting as an observer/member.

### 16.2 Other Matters

No other matters noted.

## UNCONFIRMED MINUTES

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

The half yearly activity report is due to go to Council. The Chair resolved to draft the report and circulate to management and Committee members for feedback.

The unconfirmed minutes from the Audit and Risk Committee meeting held on 11 February will be presented at the March Council meeting.

### 18 Discussion on Meeting Outcomes

The Committee reflected on the agenda and the cadence of the meeting. The Chair observed that the reports continue to evolve and improve. The Committee discussed time management options, flexibility within the agenda and officer participation.

#### Outcomes/Actions:

1. Management to prepare an induction pack for new Committee members.

### 19 Future Meetings

The next meeting is scheduled for 6 May 2022.

### 20 Meeting close

The meeting concluded at 12.55pm.

Chairperson  
Audit and Risk Committee  
City of Melbourne