

Management report to Council

Agenda item 6.4

Audit and Risk Committee Biannual Activity Report – February 2022

Council

Presenter: Michael Tonta, Director Governance

29 March 2022

Purpose and background

1. The purpose of this report is to present to Council the Audit and Risk Committee Biannual Activity Report for the period 4 September 2021 to 11 February 2022.
2. The Audit and Risk Committee (ARC) Biannual Activity report is a requirement under section 54(5) of the *Local Government Act 2020* (the Act) and under the Audit and Risk Committee Charter (the Charter).

Key issues

3. At its meeting of 11 February 2022, the ARC noted that the Biannual Activity Report for the period 4 September 2021 – 11 February 2022 (refer Attachment 2) would be presented to this meeting of the Council.
4. Publishing the Activity report on Council's website ensures that there is information available to the Council and community around the important governance functions undertaken by the ARC, and is consistent with Council's good governance arrangements and Public Transparency Policy.

Recommendation from management

5. That Council notes the Audit and Risk Committee Biannual Activity Report and acknowledges its subsequent publication on Council's website.

Attachments:

1. Supporting Attachment (Page 2 of 5)
2. Audit and Risk Committee Biannual Activity Report (Page 3 of 5)

Supporting Attachment

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. However, the three Independent Members and two Councillor Members of the Committee have reviewed and had an opportunity to input to the Report. As specified in the Charter, ARC meetings are closed to 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.

City of Melbourne
Audit & Risk Committee
Activity Report – February 2022

Period of this Report

This report covers Audit & Risk Committee (ARC or Committee) activity from 4 September 2021 to 11 February 2022. In that period the Committee has met twice – on 12 November 2021 and 11 February 2022. This report has been reviewed by and agreed with all Committee members.

1. Purpose of this Report

This report meets the reporting requirements to Council as mandated by the Local Government Act 2020 (LGA) pursuant to section 54(5) and importantly provides Council with a summary of the matters that the ARC has addressed in the reporting period in discharging its responsibilities under its Charter.

The ARC's Charter is set by Council and was last reviewed and approved by Council on 14 December 2021.

The agendas for our meetings are driven by the Committee's Annual Work Plan (AWP) and are fulsome. There is always a challenge to complete the agendas for each meeting. At the meetings held in this reporting period, the key (but not all) matters considered are summarised in the table below.

Key Matters Considered at Recent Meetings

	Topic	Meeting	
		12 Nov 2021	11 Feb 2022
1	Review and endorsement of the ARC Work Plan for 2021-22	✓	
2	An update briefing on progress with Council's City Recovery and Activation Plan in response to the impact of CV-19	✓	✓
3	Consideration of outcomes of a review of Council's process for managing and reporting on strategic risks		✓
4	Reports on key risk issues:	✓	
	a) Safety & Wellbeing	✓	
	b) Cyber Metrics	✓	✓
	c) QVM Precinct Renewal Programme	✓	
	d) Procurement	✓	✓
	e) Combustible Cladding	✓	
	f) Climate Risk		✓
5	The status of delivery of the Internal Audit Programme	✓	✓
6	Endorsement of scopes for Internal Audit reviews	✓	✓
7	The outcomes of the following scheduled Internal Audit reviews:		
	a) Cyber Security	✓	✓
8	Review of management progress on closure of agreed recommendations arising from the Purchasing & Tendering Internal Audit Review completed earlier in the year	✓	
9	Consideration of the proposed plan for the external audit of the annual financial report for 2021/22		✓
10	Consideration of review outcomes for recently released VAGO performance audits	✓	
11	Review of revisions to Council policies:		
	a) Accounts Receivable Policy	✓	
	b) Treasury Policy	✓	
	c) Occupational Health & Safety Policy		✓
	d) Code of Conduct		✓
12	Consideration of subsidiary company quarterly reports	✓	✓
13	Consideration of findings from integrity agency investigations	✓	✓
14	Review of outcomes of the annual ARC performance self-assessment survey	✓	
15	Consideration of process for recruitment of a new Committee member with the	✓	✓

	Topic	Meeting	
		12 Nov 2021	11 Feb 2022
	impending retirement of an independent member		

2. Meetings

Member attendance at the two meetings has been excellent with perfect attendance by all five members.

The Committee's Annual Work Plan

The Committee has dealt with all matters scheduled for consideration in the ARC AWP in the reporting period.

Additional Meetings

The Committee Chair held meetings with the Governance Team for meeting planning and agenda development purposes.

3. Key Activities for the Reporting Period

The work of the ARC has continued to be guided by the Annual Workplan (AWP) and all matters listed in the AWP for the two scheduled meetings held have been addressed. The AWP is reviewed at the beginning of each meeting to ensure its continued relevance and as noted above it is currently undergoing some change which may continue over the next few meetings. Key outcomes of the scheduled meetings are summarised below.

4.1 CEO Briefing

The CEO briefed the Committee on progress with the strategies for reactivation and recovery of the City.

4.2 External Audit

The Committee considered the draft external audit strategy submitted by VAGO for the audit of the City of Melbourne consolidated annual financial report and the Council annual performance statement for the year ending 30 June 2022. There were no significant changes proposed to the strategy in comparison to the previous year and the plan will enable the Committee to provide the necessary year end recommendations on the consolidated annual financial report to Council within the required time frames. The Committee stressed the importance of the auditor returning to site based work and hence reducing the amount of time spent working remotely.

4.3 Internal Audit

The Committee received an important report from the internal auditor, this being the outcomes of stage one of a review of cyber security. The aim of the review was to test both internal and external security of Council systems through a simulated attack by the internal auditor. The findings from the review were that the City has robust security settings for the external perimeter in place but there were several areas where further recommendations for strengthening internal security were made by the internal auditors. These recommendations were accepted and the Committee was satisfied with management responses. The second stage of this review is currently underway and the Committee will receive a report on the outcomes of that at its next meeting.

The Committee, along with management, has advised the internal audit service provider that substantial progress is expected before the Committee's next meeting to ensure that the 2021/22 internal audit plan is delivered within the agreed time frames.

The Committee is expected to receive reports from the internal auditor on the outcomes of five reviews at its next meeting.

The Committee noted that the status of progress with regard to completion of open internal audit recommendations was satisfactory.

The Committee considered proposed changes to various Council policies, such changes being the result of planned reviews of policies in line with the policy review plan developed by the Governance Team. The Committee provided feedback on the proposed changes, but none of the feedback was substantive.

4.5 Risk Management

In recent months risk management activity in the Governance Team has been constrained by the departure of a key team member. The Committee was pleased to see that a new appointment to this critical role has recently been made. With a recent external review of Council's approach to management of strategic risks, there is an excellent opportunity for Council to refresh the approach to risk management generally. The Committee was pleased to observe that the Governance Team also shares this view and is planning revisions to the approach to risk management over the next few months.

4.6 QVM Precinct Redevelopment Project

The Committee received an update briefing on the status of the redevelopment project indicating that several project milestones have been concluded, although as also reported by QVM representatives who attended the meeting, the impact of the project on the market's trading operations is growing and hence there is an elevated risk to QVM and trader financial results.

The Committee is pleased that the business case is being revised to reflect the many changes in the project since commencement and will receive briefings on this in future.

4.7 Subsidiary Companies

The Committee receives regular written reports from Council's two wholly owned subsidiary companies, namely Citywide Service Solutions and Queen Victoria Market. In August of each year, the Chairs of their ARC's and senior officers attend our Committee meeting to provide opportunities to enhance our understanding of their business's, the strategic challenges they face and the changes in the risk profile of their businesses.

4. Meeting Schedule for 2022

The Committee's meeting schedule for the remainder of 2022 is as follows:

- 6 May 2022
- 12 August 2022
- 16 September 2022 (Consideration of the annual financial report and the annual performance statement)
- 11 November 2022

Councillors are always welcome at Committee meetings should they wish to attend.

5. Conclusion

The Committee welcomes feedback as to whether this report meets Council's expectations. If Council wishes to be briefed by the Committee on any matters raised in this report, I would be delighted to attend as required.

Yours sincerely

Geoff Harry

Chair

On behalf of the Audit & Risk Committee

23 February 2022