

**Management report to Council**

**Agenda item 6.9**

**Referred documents from the 7 May 2021 Audit and Risk Committee Meeting**

**Council**

**Presenter:** Keith Williamson, General Manager Governance and Organisational Development

**29 June 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 7 May 2021.
2. Forwarding the minutes from the ARC to Council is a requirement under its Charter.

**Key issues**

3. The ARC noted that the unconfirmed minutes of the 7 May 2021 ARC meeting would be presented to Council.

**Recommendation from management**

4. That Council notes the minutes of the meeting of the Audit and Risk Committee held on 7 May 2021.

**Attachments:**

1. Supporting Attachment (Page 2 of 12)
2. Audit and Risk Committee Minutes 7 May 2021 (Page 3 of 12)

**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 ARC 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.

**UNCONFIRMED MINUTES****MINUTES OF THE MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK COMMITTEE****7 May 2021 at 9.30am**

The meeting was held in the Media Presentation Suite, Level 1, Town Hall Administration Building, with two participants attending remotely online via Zoom technology

<b>Present</b>	
<b>Members</b>	
Geoff Harry	Chairperson and Independent Member
Stuart Hall	Independent member
Therese Ryan	Independent member (attended remotely via Zoom)
Philip Le Liu	Councillor member
Jamal Hakim	Councillor member (attended from 10:35am)
<b>External Attendees</b>	
Debra Robertson	Internal Auditor, NTT
Elena Xia	Internal Auditor, NTT
Ben Owens	Internal Auditor, NTT (attended remotely via Zoom)
Sanchu Chummar	External Auditor, VAGO
Jung Yau	External Auditor, VAGO
<b>City Officers</b>	
Justin Hanney	Chief Executive Officer
Michael Tenace	Chief Financial Officer
Alan Wilson	Financial Controller
Keith Williamson	General Manager Governance and Organisational Development
Michael Tonta	Director Governance
Dale Ashley	Coordinator Risk Management
Angela Meinke	Director People, Culture and Leadership (agenda item 12.4)
Michelle Fitzgerald	Chief Digital Officer (agenda items 7.3 and 9.3)
Jeff Anthoney	ICT Manager (agenda items 7.3 and 9.3)
Ravin Balendran	Director Procurement and Contract Management (agenda item 7.4)
Dennis Quinn	Procurement Governance and Operations Manager (agenda item 7.4)
Linda Weatherson	General Manager Community and City Services (agenda item 9.1)
Dean Robertson	Director On-Street Support and Compliance (agenda item 9.1)
Kim Wood	Chief Legal Counsel (agenda item 13.3)
Jared Lingard	Risk Management Officer (assisting with minutes)

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## 1 Opening of meeting

The meeting commenced at 9.34am. The Chair provided an acknowledgement to country.

## 2 Apologies

Councillor Hakim had previously informed the Committee that he would be arriving later in the meeting due to another commitment. The Director Finance and Investment sent his apologies.

## 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 of Meeting held on 12 February 2021

The minutes were presented for review. The Chair noted that the minutes were now presented at a higher level that aimed to summarise the key aspects of the meeting. There was feedback from the independent members regarding further minor improvements to future minutes to better reflect the meeting outcomes and discussion.

#### Outcomes/Actions:

1. The motion to confirm the minutes was moved by Therese Ryan and seconded by Stuart Hall.

## 5 Matters arising

### 5.1 Status of matters arising as at 12 April 2021

The report was presented for review and each of the matters arising was individually reviewed by the Committee. The Chair noted the progress of a large number of actions.

#### Outcomes/Actions:

1. The Committee noted the report and that items 8.1, 6.2.2, 6.4 (second item), 7.2, 7.5, 9.1, 9.4 (second item), 10.1, 11.2 and 14 could be closed as complete at the end of the May meeting. The motion was moved by Councillor Le Liu and seconded by Stuart Hall. In relation to 10.1 (second item) the Chair provided additional wording that had been missed from the action description.

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

#### Outcomes/Actions:

1. There were no matters arising.

### 5.3 Matters arising from Council Meetings (verbal)

#### Outcomes/Actions:

1. There were no matters arising.

### 5.4 Election of Audit and Risk Committee Chair for 2021-22 (verbal)

The General Manager Governance and Organisational Development called for the election of a Chair of the City of Melbourne Audit and Risk Committee for the 2021-22 financial year. Independent member Stuart Hall nominated the current Chair and this was seconded by Therese

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Ryan. As there were no other nominations, the General Manager Governance and Organisational Development declared that Geoff Harry would be reappointed as the Chair for 2021-22. The Chair thanked the Committee for their continued confidence in him.

### Outcomes/Actions:

1. Geoff Harry was reappointed to the position of Chair until 30 June 2022.

## **6 CEO Briefing**

### **6.1 CEO update (verbal)**

The Chief Executive Officer presented an update to the Committee about the impacts of COVID-19 on the organisation and the municipality. He outlined Council's focus on events, event partnerships and a return to work pledge. He also provided an updated on the budget position.

### Outcomes/Actions:

1. The report was noted.

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

The Chief Executive Officer provided an update on the City Economic Recovery and Activation programme and answered various questions from the Committee.

### Outcomes/Actions:

1. The report was noted.

## **7 Risk Management**

### **7.1 Quarterly Risk Management Report**

The Coordinator Risk Management outlined the recent completion of internal audit recommendations, with several actions on track for completion prior to their 30 June 2021 due date. He also confirmed the completion of the cycle of strategic risks reviews and reporting and that a review of the current list of strategic risks would be undertaken in the new financial year via separate workshops with ELT, Councillors and the independent Committee members to refine the currency and number of risks. The Chair encouraged this approach. There was also discussion about the flooding risks faced by Council and the municipality. Management commented on Council's flooding overlay work and controls relating to data management and community messaging. An update was provided on the project to replace the current risk management software. The Chair commented regarding the importance of the project to improve risk practises and reporting and management confirmed that subject to a procurement process and associated approval, Council was aiming to have new software by Q1 2022-23.

### Outcomes/Actions:

1. The report was noted.

### **7.2 Quarterly Safety and Wellbeing Report**

### Outcomes/Actions:

1. The report was noted.

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*The Chief Digital Officer and the ICT Manager joined the meeting at 10:13am*

### **7.3 Cyber Metrics Report**

The Chief Digital Officer presented the report and highlighted the ongoing importance of building capability in the organisation to manage cyber threats. Members requested that a map of critical systems be included in this report. There was also a discussion regarding the approach to assessing the cyber risks related to contracted service providers, including the auditing of this area. The ICT Manager explained the risk management processes and testing that was undertaken by the organisation when entering into new contracts.

#### Outcomes/Actions:

1. That future Cyber Metrics reports to the Committee contain a critical systems map.
2. That management review and update contract documentation in order to be able to request internal audit reports on cyber management from third party contractors.

*The Chief Digital Officer and the ICT Manager left the meeting at 10.19am*

*The Director Procurement and Contract Management and the Procurement Governance and Operations Manager joined the meeting at 10.19am*

### **7.4 Procurement Report**

The Director Procurement and Contract Management presented the report, including providing comments on contractor risk management and how supplier risk management had been strengthened by the framework and systems at Council. This included regular Executive Leadership Team reporting on the top 20 contracts and associated KPIs, risks, costs and innovation. The Chief Financial Officer also spoke about the benefits and savings of the centralisation of procurement across Council and the improved monitoring of contract variations. There was a question from a member regarding the timing of higher risk contracts being procured at the same time and management responded with commentary regarding various workload and planning matters. There was also discussion regarding the importance of assessing modern human slavery risks and management provided some background on how this was reviewed within the procurement processes.

#### Outcomes/Actions:

1. The report was noted.
2. The Committee requested that information to be included in future reports regarding cost reductions for relevant contracts.

*Procurement Governance and Operations Manager left the meeting at 10:35am*

*Cr Hakim joined the meeting at 10.35am*

### **7.5 Insurance Pre-renewal Report**

#### Outcomes/Actions:

1. The report was noted.

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## 8 Internal Audit Management

### 8.1 Internal audit status report as at 12 April 2021

#### Outcomes/Actions:

1. The report was noted.

### 8.2 Status Report on Open Audit Actions

There was general discussion by the Committee regarding the open audit actions. There was a question regarding the documentation of the questions on notice submitted prior to Committee meetings and management confirmed that this was recorded and retained within Council's document management system.

#### Outcomes/Actions:

1. The report was noted.

### 8.3 Auditor Independence

#### Outcomes/Actions:

1. The report was noted.
2. The Committee requested that an updated VAGO statement to verify their independence in regards to their previous audit of the Annual Financial Report for the year ended 30 June 2020 be attached to this report.

### 8.4 Internal Audit Tender

#### Outcomes/Actions:

1. The report was noted.

### 8.5 Internal and External Auditor Liaison (verbal update)

#### Outcomes/Actions:

The Committee noted that based on discussion with Council's external and internal auditors there had been effective liaison between the auditors over the past year.

1. The report was noted.

## 9 Internal Audit Reviews Completed

*Ben Owens, Internal Auditor, NTT, the General Manager Community and City Services and the Director On-Street Support and Compliance joined the meeting at 10:37am*

### 9.1 Approvals to Undertake Work in the Public Realm

NTT spoke to the report which received a 'Requiring Improvement' rating. Overall, the audit found that Council's existing procedures and controls for approvals to undertake work in the public realm require further strengthening. The General Manager Community and City Services confirmed that management had committed to a number of actions to address these findings. It was noted that the current framework in managing unpaid infringement notices and prosecution procedures needed improvement. It was also identified through data analytics and sample testing that permits had been issued despite the reconciliation regarding the permit fees not being finalised to verify that payment had been received by Council. A Committee member commented regarding the similarity of this audit recommendation in comparison with another audit recommendation identified in a previous Planning and Building internal audit and management agreed to provide a status update to the Committee.

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In response to various questions from the Committee, the General Manager Community and City Services provided background regarding the short-term interim control measures that had been introduced as well as the planned longer-term process improvements that would be implemented as part of developing a corporate digital permit process involving the Salesforce platform.

### Outcomes/Actions:

1. The report was noted.
2. That an update be provided to the November meeting outlining the status of the progress of agreed actions in this audit.
3. That an update be provided to the November meeting outlining the status of similar actions from the previous Planning and Building internal audit where a similar reconciliation issue was also identified in relation to permit processes.

*The General Manager Community and City Services and the Director On-Street Support and Compliance left the meeting at 10.55am*

### **9.2 Fraud and Corruption**

NTT spoke to the report which received a 'Satisfactory' rating. The Coordinator Risk Management stated that it was pleasing to receive a positive rating which had recognised the ongoing improvements made by Council since the previous internal audit, including in the areas of compulsory training, staff surveys, data analytics and policy and procedures. The General Manager Governance and Organisational Development also commented regarding the importance of management taking their risk management responsibilities seriously. Following a discussion regarding the auditors' maturity assessment of Council's Fraud and Corruption Risk Management, the Committee asked management to liaise with NTT regarding how Council could improve its Fraud and Corruption maturity.

### Outcomes/Actions:

1. The report was noted.
2. That management liaise with NTT regarding how Council could improve its Fraud and Corruption maturity.

*Ben Owens, Internal Auditor NTT, the Chief Digital Officer and the ICT Manager joined the meeting at 11:08am*

### **9.3 Payment Card Industry Data Security Standard**

NTT presented the report which received a 'Satisfactory' rating. Background was provided that in accordance with the agreement between Council and its bank, Westpac, Council is required to comply with the Payment Card Industry Data Security Standard to proactively protect customer account data. The Chief Digital Officer and the ICT Manager then spoke to the report and provided a brief summary of the work being undertaken with third party vendors to improve the management and security of customer credit card data.

### Outcomes/Actions:

1. The report was noted.

*Ben Owens, Internal Auditor NTT, the Chief Digital Officer and the ICT Manager left the meeting at 11:12am*

*The meeting broke into recess at 11:12am*

*The meeting resumed at 11:18am*



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## 10 Financial Performance and Reporting

### 10.1 Year to date financial report

The Chief Financial Officer presented the report and then responded to questions from the Committee regarding rating deferrals, State Government grants, financial support for the Queen Victoria Market, building cladding provisions and financial variances related to capital projects.

#### Outcomes/Actions:

1. The report was noted.

### 10.2 Planning for 30 June 2021 Financial Close and Audit

The Chair provided some background to the Committee about the delays experienced in 2020 regarding the provision of Citywide's annual financial report which adversely impacted the timelines for the City of Melbourne Audit and Risk Committee's financial close and audit. In view of this the Chair emphasised the importance of taking a stronger approach to the subsidiary companies reporting requirements and timelines. Management provided assurance that ongoing dialogue with the subsidiary companies was occurring to ensure that adequate planning was in place. The Chair requested that any potential delays be promptly informed to the Committee.

#### Outcomes/Actions:

1. The report was noted.
2. That the Chief Financial Officer keep the Committee informed as early as possible of any change regarding the risk of all subsidiary companies meeting their financial year end reporting commitments to VAGO thereby enabling the external audit of all Group companies to proceed without delay.

### 10.3 Shell Consolidated Financial Statements 2020-21

The report was taken as read. The Chief Financial Officer responded to questions from the Committee about how Council tested financial information provided by subsidiaries regarding asset impairment valuations.

The Chair advised the meeting that he had provided review points in writing to the Finance Team following his review of the "Shell". He indicated that the review points were of a broad nature relating to the way in which some disclosures will be treated in the consolidated Annual Financial Report for the year ending 30 June 2021. Following discussion it was agreed that the Finance Team will respond to the review points at the appropriate time prior to the finalisation of the consolidated Annual Financial Report.

#### Outcomes/Actions:

1. The report was noted.
2. That the Chief Financial Officer provide a response to the Committee by 30 June 2021 on the resolution of issues raised in the Shell Consolidated Financial Statements including a summary on asset impairments and relevant VAGO feedback.

## 11 External Audit

### 11.1 External Audit Plan for year ending 30 June 2021

The Acting Sector Director, Local Government, VAGO, highlighted the changes to the external audit plan and indicated his confidence that the plan could be delivered in accord with the proposed timelines.

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1. The report was noted.
2. That the Committee notes VAGO's strategy for the audit of the Group annual financial report and Council's annual performance statement for the year ending 30 June 2021.
3. That VAGO inform the Chief Financial Officer of any expected delays in the completion of audits as soon as they become aware of any issues.

**11.2 Status of Open External Audit Actions (verbal update)**

This item was discussed as part of item 11.4.

**11.3 Recently Released Performance Audit Reports (verbal update)**

This item was discussed as part of item 11.4.

**11.4 Interim Management Letter for year ending 30 June 2021**

VAGO provided an update on all open management letter issues and prior period issues that have been resolved in the current period. The Committee discussed what approvals are required by the Department of Treasury and Finance and the Minister for Local Government when Council subsidiaries undertake any business acquisitions.

Outcomes/Actions:

1. The report was noted.
2. That a report be presented to the August Committee meeting regarding the approval requirements in relation to Citywide's business acquisitions.

**12 Internal Control Framework****12.1 Internal Control Framework and Overarching Governance Principles**Outcomes/Actions:

1. The report was noted.

**12.2 Gifts, Hospitality and Conflicts of Interest Report**Outcomes/Actions:

1. The report was noted.

**12.3 Management and Exercise of Delegations Report**Outcomes/Actions:

1. The report was noted.

*The Director People, Culture and Leadership joined the meeting at 11:55am*

**12.4 Findings from Integrity Agencies 1 October 2020 to 31 December 2020**

The report was taken as read and the Chair opened the floor to questions. In response to a question from independent members about Council's processes for reporting sexual harassment, the Director People, Culture and Leadership spoke about the reporting processes in place, how results are included in OHS reporting and also regarding the plan for implementing an anonymous reporting mechanism. Management commented that it was important that all matters

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were reported and that the organisation had focussed on ensuring that people were comfortable in calling out issues and being aware of their responsibilities.

Outcomes/Actions:

1. The report was noted.
2. The Chair requested that a briefing paper be prepared for the November 2021 Committee meeting on the progress of actions Council is undertaking to reduce sexual harassment in the workplace.

*The Director People, Culture and Leadership left the meeting at 12.05pm*

**13 Governance and Compliance****13.1 Legislative Compliance Report**Outcomes/Actions:

1. The report was noted.

**13.2 Governance and Claims Report**Outcomes/Actions:

1. The report was noted.

*The Chief Legal Counsel joined the meeting at 12:06pm*

**13.3 Annual Legal Briefing**

The Chief Legal Counsel presented the report and spoke about important legislative changes, including the *Environmental Protection Act* and the *Local Government Act*. The Chief Legal Counsel then responded to questions from members about Council's preparedness to implement relevant changes and commented that the *Environmental Protection Act* will assist Council work with the relevant authorities on a more proactive approach to managing environmental risks.

Outcomes/Actions:

1. The report was noted.

*The Chief Legal Counsel left the meeting at 12:15pm*

**13.4 Local Government Performance Reporting Framework (LGPRF) 2020–21 Materiality Thresholds**Outcomes/Actions:

1. The report was noted.

**14 Subsidiary company reporting****14.1 Queen Victoria Market quarterly report**Outcomes/Actions:

1. The report was noted.

**14.2 Citywide Service Solutions quarterly report**

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The Chief Financial Officer commented that he was seeking further clarity regarding Citywide's engagement by the Department of Jobs, Precincts and Resources to deliver sanitisation services in response to COVID-19.

Outcomes/Actions:

1. The report was noted.
2. That Council provide further information to the Committee regarding Citywide's engagement by the Department of Jobs, Precincts and Resources to deliver sanitisation services in response to COVID-19.

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

#### 15.1 Review of Current Arrangements for Reporting to Council (verbal update)

Councillor members of the Committee confirmed that they were satisfied with the current reporting arrangements.

Outcomes/Actions:

1. The Committee agreed to prepare a more focused Audit and Risk Committee Biannual Activity Report for presentation to Council in October 2021.

### 16 Discussion on Meeting Outcomes

The Chair noted the large quantity of material that the Committee was required to consider in the lead up to the meeting and thanked members for their preparation. The Committee then discussed potential improvements to the conduct of meetings including meeting scheduling and the quantity of documentation circulated. The Chair resolved to conduct further analysis on this matter in conjunction with the Director Governance and the Coordinator Risk Management.

Outcomes/Actions:

1. The Director Governance and Coordinator Risk Management consider improvement opportunities regarding future Committee meetings in conjunction with the Chair.

### 17 Committee meeting with External and Internal Audit in the absence of management

The Committee then met with External and Internal Audit officers in the absence of management.

### 18 Meeting close

The meeting closed at 12:56pm

Chairperson  
Audit and Risk Committee  
City of Melbourne