

**Management report to Council**

**Agenda item 6.2**

**Referred documents from the 6 May 2022 Audit and Risk Committee Meeting**

**Council**

**Presenter:** Michael Tonta, Director Governance

**28 June 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 6 May 2022.
2. Forwarding the unconfirmed 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 6 May 2022 ARC meeting (refer **Attachment 2**).

**Recommendation from management**

4. That Council notes the unconfirmed minutes of the meeting of the Audit and Risk Committee held on 6 May 2022 as shown in Attachment 2 of the report from management.

**Attachments:**

1. Supporting Attachment (Page 2 of 13)
2. Unconfirmed Audit and Risk Committee Minutes 6 May 2022 (Page 3 of 13)

## 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.

**MINUTES OF THE MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK COMMITTEE**  
**6 May 2022 at 9.51 am**

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
Philip Le Liu	Councillor Member
<b>External Attendees</b>	
Chris Braithwaite	Internal Auditor, PwC
Brett Wong	Internal Auditor, PwC
Travis Derricott	External Auditor, VAGO
Jung Yau	External Auditor, VAGO
<b>City Officers</b>	
Justin Hanney	Chief Executive Officer
Michael Tenace	Chief Financial Officer
Michael Tonta	Director Governance
Kim Wood	Chief Legal Counsel
Julian Edwards	Director Planning and Building
Steven Baxas	Municipal Building Surveyor
Stacey O'Toole	(Acting) Chief Digital Officer
Roger Nicholas	Head of Technology Platforms & Engineering
Angela Meinke	Director People, Culture and Leadership
Ross Goeman	Manager Corporate Performance and Strategic Risk
Jared Lingard	Risk Management Consultant
Will Mcintosh	Senior Advisor to the CEO
<b>Apologies</b>	
Jamal Hakim	Councillor Member (Cr Hakim attended the pre-meeting)

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## 1 Opening of meeting

The meeting commenced at 9:51 am. The Chair provided an acknowledgement to country.

## 2 Apologies

Cr Hakim was an apology.

## 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 11 February 2022

The minutes of the meeting held on 11 February 2022 were confirmed without amendment on the motion of Stuart Hall, seconded by Therese Ryan.

### 4.2 Matters considered out of session

Since the last meeting held on 11 February 2022, the following matters were considered out of session:

- **Half Yearly Report to Council on the Audit and Risk Committee Activities**

The Audit and Risk Committee Biannual Activity Report was presented to Council at the 29 March 2022 meeting.

- **The Chair met with PwC in person on the Strategic Internal Audit plan**

PwC met with the ARC Chair on 19 April to discuss the draft Internal Audit Plan

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
9.7	Cyber Security Maturity Assessment Phase 2: Cyber Governance Framework
9.8	Auditor Independence Report
10.1	VAGO status report

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13.1	Legislative Compliance Report
13.2	Governance & Claims Report
14.1	QVM Quarterly Report

Outcomes/Actions:

1. All the above reports were noted.

**5 Matters arising****5.2 Status of matters arising as at 22 April 2022**

The Chair noted that whilst many items had been closed since the last meeting, several items listed for consideration at this meeting have been deferred, some actions arising from the last meeting are not included in the schedule and there are some items where there appears to be duplication. The Chair noted that some items in the schedule have been open for more than a year. It was agreed that the Matters Arising schedule needs to be reviewed and updated.

Outcomes/Actions:

1. The Chair requested that future Matters Arising have consecutive numbering for easier tracking of actions outstanding across multiple meeting agendas.
2. The Chair indicated he would work with the Governance Team to ensure that the schedule is complete and accurate for the next meeting
3. The Committee noted the report.

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

Cr Le Liu provided an update on matters arising from recent Council and Committee meetings including regarding the suspension of Sister City status with the City of St Petersburg. He also advised the draft budget for the year ending 30 June 2023 will be considered for adoption to commence consultation on 17 May 2023 at the Future Melbourne Committee meeting in Docklands.

Outcomes/Actions:

1. The Committee thanked Cr Li Liu for the update.

**6 Annual Work Plan****6.1 Annual Work Plan**

The Chair noted that several items scheduled for the 6 May 2022 meeting had been deferred to future meetings. The Committee sought and received commitment from management that those matters deferred would be captured in the forward plan.

Outcomes/Actions:

1. The Committee requested that the Governance Team provide a briefing paper at the next meeting indicating how items that were scheduled for inclusion in the agenda for this meeting will be addressed at future meetings..
2. The Committee noted the report.

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## 7 CEO Briefing

### 7.1 CEO Update

The Chief Executive Officer presented an update on the pending Draft Council Budget for 2022/23 and the ongoing impacts of COVID-19 to the municipality.

It was noted that although foot traffic continues to be increasing in the city, only 36% of office based workers are attending their office on weekdays which is the lowest rate of all capital cities in the country. City of Melbourne continues to focus on staff and public messaging to encourage workers to return to the city.

Management have held six workshops with Councillors to consider a range of matters in developing the draft 2022-23 Budget. Key discussions included new revenue streams, efficiencies, consideration of a waste charge as well as an Annual Plan to accompany the 'Budget Book' (the published Budget document).

#### Outcomes/Actions:

1. The Committee noted the report

## 8 Risk Management

### 8.1 City Recovery and Reactivation Quarterly Risk Report

The Chief Executive Officer presented the report and referred to the capital works program. In the context of a challenging construction environment capital works expenditure is currently forecast to achieve approximately 60% delivery for 2021/22.

The Committee commended the City of Melbourne on the planned adoption of the draft Project Management Framework across the whole organisation.

#### Outcomes/Actions:

1. The Committee noted the report as read.

### 8.2 Quarterly Risk Management Report

The Manager Corporate Performance and Strategic Risk presented the quarterly risk management update. A draft Fraud and Corruption Control Framework is expected in the next week and the contract for the Risk Management system is close to being finalised with implementation due to commence from July 2022. The Payments Card Industry compliance program is progressing and is expected to complete as planned in March 2023.

The Committee provided feedback on the Work Plan, which was noted by management, including:

- the timeframes and complexities of implementing a new system.
- Ensuring that the risk appetite statement is updated

#### Outcomes/Actions

1. Requested progress reporting on the risk management Work Plan through the Quarterly Risk Management reports.
2. The Committee noted the report as read.

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## 8.3 Annual Insurance Pre-Renewal Report

The Manager Corporate Performance and Strategic Risk presented the report and spoke about increasing costs of insurance across the board. Some items in the report were clarified, and the Committee was advised that Council plans to engage an appropriate consultant before the 2023/24 renewal to assess the need for extending the insurance portfolio.

In response to a question from the Committee regarding the level of cover available under the Councillors and Officers Liability policy, management committed to report back to the Committee on whether the level of coverage for this policy was considered to be adequate. .

### Outcomes/Actions:

1. That management report back to the Committee on Councillors and Officers Liability policy
2. The ARC to receive a report on the Insurance Portfolio Review at the February 2023 meeting.
3. The Committee noted the report.

## 8.4 Safety Performance Report

The Director People, Culture and Leadership presented the Safety Performance report, highlighting recent activities to support staff during COVID and now in their return to the office environment. The Committee requested further information about the falling debris incident referred to in the report and also about incident reporting more generally. The Director People, Culture and Leadership provided an update on the status of implementation of a new incident reporting system that will provide opportunities for better reporting of safety matters.

### Outcomes/Actions:

1. Director PCL to provide information regarding falling debris and be circulated offline before the next meeting.
2. The Committee noted the report.

## 8.5 Annual Legal Briefing

The report was taken as read and Chief Legal Counsel took questions from the Committee which were answered to their satisfaction.

### Outcomes/Actions:

1. The Committee noted the report.

## 8.6 Combustible Cladding Update and Risk Assessment

The Director Planning and Building and the Municipal Building Surveyor presented the report. Cr Le Liu and the Chair commended officers on the work that has been undertaken and continues to be undertaken to mitigate this risk.

### Outcomes/Actions:

1. Management to review the current report format with a view to providing improved “over time” analysis of the risk profile.
2. The Committee noted the report.

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## 9 Internal Audit Management

### 9.1 Status Report on Open Audit Actions

The report was taken as read. Of the eight outstanding high rated actions, five are due to be completed by 30 June 2022. The Committee requested that progress on the remaining three items be reported back at the next meeting.

In light of this, the Chair requested that the information contained in this report be reconciled with Matters Arising to ensure that the apparent overlaps in the Matters Arising schedule be removed. It was also suggested that target dates for completion of agreed actions be considered carefully by action owners to ensure that they are realistic. . Agreed that immediate mitigation actions related to high risk findings be put in place immediately while the more complex, longer term solutions are developed and implemented.

#### Outcomes/Actions:

1. Director Parking Services to circulate an out of session report (before the next meeting) on progress with implementing the actions from the Parking and Street Trading Permits Audit.
2. Director City Projects to present to the next meeting on progress with the implementation of the Project Management Framework.
3. The Committee noted the report.

### 9.2 Internal Audit Charter Review

The Committee asked that the Governance Team arrange for PwC to review the proposed revisions to the Internal Audit Charter. The Committee requested that it receive out of session (and as soon as possible) an updated version of the Charter incorporating [1] any agreed improvement opportunities recommended by PwC and [2] improvements suggested in feedback from Committee members. It was determined that the draft Internal Audit Charter and the proposed 2022-23 Internal Audit Plan both then be submitted to Council as one report.

#### Outcomes/Actions:

1. The Committee requested that PwC review the draft Internal Audit Charter, that Committee members provide feedback and that the final Charter along with the proposed 2022-23 Internal Audit Plan be represented to June Council meeting for endorsement.
2. The Committee noted the report.

### 9.3 Cyber Security Review – Phase 1: Red Team – Status Update following internal audit

The Acting Director Technology and Digital Innovation presented the report and spoke to the progress implementing the Audit Actions.

#### Outcomes/Actions:

1. The Committee noted the report.

### 9.4 Internal audit status report 2021-22 plan

Chris Braithwaite from PwC presented the report noting that the Cyber Security Phase 2 and Grants Management Reports will now come to the August 2022 ARC meeting. Additionally, the scope of the Parking Modernisation system pre-implementation review has been broadened and changed to focus on post-implementation and the review will now be completed late in 2022 as part of the 2022/23 internal audit plan.

#### Outcomes/Actions:



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1. The Committee noted the report.

## 9.5 Internal Audit Plan 2022-23

Chris Braithwaite from PwC presented the draft 2022-23 Internal Audit Plan to the Committee for endorsement and outlined the methodology and approach for developing the recommended audit plan.

The Committee requested some minor amendments to the Audit Plan such as including historical audits and the forward plan together in the Appendix, and shifting the Parking Modernisation Audit into 2022-23.

### Outcomes/Actions:

1. The Committee endorsed the 2022-23 Internal Audit Plan to be submitted to Council.

## 9.6 Governance Review report

Brett Wong from PwC presented the report to the Committee noting the improvement opportunities identified. Due to the relevance of these findings to the Committee's work, it was requested that regular updates be provided to the Committee on progress with implementation of the actions.

### Outcomes/Actions:

1. That management report back on progress each quarter.
2. The Committee noted the report.

## 9.7 Cyber Security Maturity Assessment - Phase 2: Cyber Risk Governance

The Acting Director Technology and Digital Innovation noted that this draft report was presented to the Committee for information given the importance of cyber security even though management responses have not yet been fully developed. Management will complete its response to the report , including agreed actions and circulate to the Committee out of session. The final report will be presented to the August 2022 Committee meeting.

### Outcomes/Actions:

1. Management will circulate the final report to the Committee out of session and the final report will be on the August Committee Agenda.
2. The Committee noted the draft report.

## 10 External Audit

### 10.1 VAGO Status Report

#### Outcomes/Actions:

1. The Committee noted the report.

### 10.2 VAGO 2021-22 Draft Audit Strategy Memorandum

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The Sector Director, VAGO, presented the report and provided a high level update on progress of the Audit Strategy. Various matters were noted:

- Citywide and QVM transaction testing and lease renewals
- LGV, TCV, DTF liaison to determine borrowing limits for 2022-23
- Regent Management Company audit for 2020/21 has been delayed due to concerns with asset revaluations which may result in adjustments for prior period asset valuations that would need to be reflected in the annual financial report. VAGO expects that are unlikely to be similar delays in 2021/22. It was noted that the Regent Management Company is not a subsidiary company of Council and that any adjustments to prior period asset revaluations are not expected to impact disclosures in Councils annual financial report
- VAGO will circulate the Interim Management Letter out of session.

The Chair requested that the action carried forward from the previous year audit in relation to controls over bank reconciliations for QVM be completed before the end of the current financial year.

### Outcomes/Actions:

1. The Committee noted the report.

*Councillor Phillip Le Liu left the meeting at 12:24 pm.*

## **11 Financial Performance & Reporting**

### **11.1 Shell Consolidated Financial Statements 2021-22 – 1st Draft**

The Chief Financial Officer presented the report, highlighting that the impacts of COVID on the Victorian and Melbourne economy and the significant impacts of this on the organisation's budget. Other minor changes related to accounting standards were also mentioned.

The Chair agreed with members that the process of member review of the annual financial report and the annual performance statement for 2021/22 will be unchanged from the previous year.

### Outcomes/Actions:

1. The Committee noted the report and the comments from the CFO regarding the 2022-23 budget projections.

## **12 Internal Control Framework**

### **12.1 Internal Control Framework and Overarching Governance Principles**

The Chair requested that the Director Governance review the policy cyclical review plan and advise at the next meeting on the status of all scheduled reviews for 2021/22.

### Outcomes/Actions:

1. Director Governance will review the Policy Cyclical Review Plan and update for the next meeting .
2. The Committee noted the report.

### **12.2 Gifts, Hospitality and Conflicts of Interest Report**

The report was taken as read.

### Outcomes/Actions:

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1. The Committee noted the report.

## 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

The report was taken as read and the Committee requested further detail related to responses to recent health and safety incidents.

Outcomes/Actions:

1. That the CFO request Citywide to provide a high level report to the Committee, out of session, on what is being done in response to the OH&S incidents and an overview on a trends.
2. The Committee noted the report.

## 15 Integrity body Reports

### 15.1 Findings from Integrity Agencies 1 January 2022 to 31 March 2022

Outcomes/Actions:

1. The Committee noted the report.

### 15.2 Victorian Auditor-General's Office (VAGO) report on workplace sexual harassment in local government – progress report

The Committee noted the importance of the work and relationship to the gender equality action plan.

Outcomes/Actions:

1. That future status reports on responses to the VAGO report be included as an appendix in the standard Safety Performance Report

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2. The Committee noted the report.

## 16 Other Business

### 16.1 Election of ARC Chair

This item was deferred to the August meeting as the meeting was no longer quorate.

#### Outcomes/Actions:

1. That election of the Chair be included in the August ARC Agenda.

### 16.2 New Committee Member Recruitment

The Director Governance advised that it is anticipated that the new member will be appointed at the 28 June Council meeting. The Chair noted that this was Therese Ryan's last meeting as a Committee member and thanked her for her significant and valuable contribution over the last nine years.

#### Outcomes/Actions:

Nil

### 16.3 New Committee Member Induction Pack

The Director Governance noted that the Committee Induction Pack was being updated and would be ready for the commencement of the new member.

#### Outcomes/Actions:

Nil

### 16.4 Other Matters

No other matters noted.

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

#### Outcomes/Actions:

Nil

## 18 Discussion on Meeting Outcomes

#### Outcomes/Actions:

Nil

## 19 Future Meetings

The next meeting is scheduled for 12 August 2022.

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**20 Meeting close**

The meeting concluded at 12.45pm.

Chairperson  
Audit and Risk Committee  
City of Melbourne

DRAFT