

**Management report to Council**

**Agenda item 6.4**

**Referred documents from the 3 September 2021 Audit and Risk Committee Meeting**

**Council**

**Presenter:** Michael Tonta, Director Governance

**28 September 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) Special meeting held on 3 September 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 3 September 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 3 September 2021.

**Attachments:**

1. Supporting Attachment (Page 2 of 11)
2. Audit and Risk Committee Minutes 3 September 2021 (Page 3 of 11)

**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.

**UNCONFIRMED MINUTES****MINUTES OF THE MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK COMMITTEE****3 September 2021 at 9.30am**

Due to COVID-19 restrictions the meeting was held remotely via Microsoft Teams

<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>	
Stan Liacos	CEO, QVM
Debbie Dowling	CFO, QVM
Jane Fenton	Chair of the Board and Chair of Redevelopment Committee, QVM
Patrick Burroughs	Chair of Risk and Audit Committee, QVM
Chris Campbell	CEO, Citywide
Paul Hudson	CFO, Citywide
Andrea Waters	Chair of Audit and Finance Committee, Citywide
Sanchu Chummar	External Auditor, VAGO
Jung Yau	External Auditor, VAGO
Brett Wong	Internal Auditor, PwC
<b>City Officers</b>	
Justin Hanney	Chief Executive Officer
Michael Tenace	Chief Financial Officer
Michael Tonta	Director Governance
Liam Routledge	Director Finance & Investment
Alan Wilson	Financial Controller
Hugh Kilgower	Coordinator Risk Management (Acting)
Michelle Tipton	Coordinator Council Business
Maggie Williams	Audit and Compliance Specialist

# UNCONFIRMED MINUTES

## 1 Opening of meeting

The meeting commenced at 9:35am. The Chair provided an acknowledgement to country.

## 2 Apologies

Alison Leighton, Deputy CEO

Chris Braithwaite, PwC

## 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 6 August 2021

The Committee confirmed the minutes of the meeting held on 6 August 2021. The Chair noted that management had amended items 8.4 and 8.6 prior to the minutes going to Council for noting on 31 August.

#### Outcomes/Actions:

1. The minutes of the meeting held on 6 August 2021 were confirmed with no amendments

## 5 Matters arising

### 5.1 Status of matters arising as at 20 August 2021

The Chair noted that the following items will be closed by the end of this meeting; 10.1, 10.2, 10.3, 11.1, 11.4, 12.1, 14.2, 5.4.3, 13.3, 19.2.

#### Outcomes/Actions:

1. The Chair to work with management to determine whether any of the reoccurring items could be added to the Work Plan rather than being addressed through this report.
2. The Committee noted the report.

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

No specific matters were raised.

**UNCONFIRMED MINUTES****5.3 Matters considered out of session**

Matters considered out of session were as follows:

- The Chair, Geoff Harry met with the QVM and Citywide Audit and Risk Committee Chairs on 23 August
- Review process of the draft Annual Financial Reports for the Council and its subsidiaries
- Internal Audit Plan 2021-24 was endorsed by Council on 31 August

Outcomes/Actions:

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

**5.4 Reports Taken as Read**

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

Item	Reports Taken as Read
6.1	Annual Work Plan

Outcomes/Actions:

1. The above report was taken as read.

**6 Annual Work Plan**Outcomes/Actions:

1. The Committee noted the report as read.

**7 Internal Audit Plan**

PwC presented an update on the Internal Audit Plan, highlighting that scoping discussion had commenced for the Governance review. PwC anticipate that the Governance review report will be ready for the November meeting and the Cyber Maturity Risk Assessment will be presented at the February meeting.

Outcomes/Actions:

1. 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 People, Culture and Leadership team.
2. The Committee noted the report

# UNCONFIRMED MINUTES

*The Queen Victoria Market representatives joined the meeting at 9:52am.*

## 8 Queen Victoria Market (QVM)

### 8.1 QVM Annual Financial Report 2020-21

The Chair welcomed the QVM representatives. Chair of the QVM Audit and Risk Committee, confirmed that the QVM Financial Statements have been approved by the QVM Board and signed off by VAGO.

The QVM CFO summarised the QVM Financial Statements, providing information regarding the effect of the COVID-19 and the associated trading challenges, such as rent relief support for traders, market closures, customer access restrictions, as well as the reduced car parking revenue. The CFO also outlined the QVM's shed restoration progress and new trading initiatives such as the QVM online business and speciality mini-markets.

The QVM CEO assured the Committee that QVM have a strong future market strategy. Initiatives include small business alliance, establishment of QVM online, transformation of the food court, new carpark facility and attracting tenants to the Munro development. The CEO highlighted that the traders are supportive of reinvestment in the market.

The QVM Chair of the Board and Chair of Redevelopment Committee, outlined changes to QVM's governance structure and accountabilities, with focus on clearly defined responsibilities. QVM advised that two board members are retiring at the AGM and that a public process for the recruitment of two skill based board members is underway.

QVM responded to a number of questions regarding the Annual Financial Report and QVM operations. The Committee were satisfied with the responses.

The Chair thanked the QVM representatives for their attendance and invited them to attend the Committee's February 2022 meeting.

#### Outcomes/Actions:

1. The Committee notes the Executive Summary in relation to the financial performance of QVM for the year ended 30 June 2021.
2. The Committee notes the Annual Financial Report of the QVM for the year ended 30 June 2021.
3. The Committee notes that the matters raised by Committee members prior to the meeting regarding the Annual Financial Report have been resolved satisfactorily.

### 8.2 QVM Management Representation Letter to VAGO

#### Outcomes/Actions:

1. The Committee notes the Officer attestations to VAGO in respect to the Annual Financial Report for the year ended 30 June 2021.

**UNCONFIRMED MINUTES****8.3 QVM Management Representation Letter to Melbourne City Council**Outcomes/Actions:

1. The Committee notes the Officer attestations to Council in respect to the Annual Financial Report for the year ended 30 June 2021.

**8.4 QVM External Auditor's Closing Report**Outcomes/Actions:

1. The Committee notes the VAGO Closing Report for the year ended 30 June 2021, and in doing so, notes that VAGO will issue clear opinions on the Annual Financial Report for the year ended 30 June 2021.

**8.5 QVM External Auditor's Final Management Letter**

VAGO noted that the audit process went well and that there were no outstanding issues.

Outcomes/Actions:

1. The Committee notes the VAGO Final Management Letter for the year ended 30 June 2021.

*The Queen Victoria Market representatives left the meeting at 10:18am.*

*The Citywide representatives joined the meeting at 10:19am.*

**9 Citywide Service Solutions Pty Limited****9.1 Citywide Annual Financial Report 2020-21**

The Chair welcomed the Citywide representatives. The Chair of Citywide's Audit and Finance Committee, stated that Citywide's Board had been approved the Financial Statements on 30 August and VAGO have issued an unqualified audit opinion in relation to the Financial Statements.

Citywide's CEO highlighted that Citywide's systems, communication, and processes worked well in a challenging year, helping to minimise the impacts of COVID-19. The CEO stated that two acquisitions completed during the year, namely Gordon Mckay (GMK) and Ultegra. Citywide is aiming to balance their strategic objectives with financial performance, by maximising growth opportunities and investing in digital transformation.

Citywide's CFO reported on the good result despite being materially impacted by COVID-19 and the restructuring of the New South Wales cash generating unit (CGU). He added that a change of finance staff resulted in a smoother year end process than prior year.

Citywide responded to a number of questions regarding the Annual Financial Report and Citywide's operations. The Committee were satisfied with the responses.

**UNCONFIRMED MINUTES**Outcomes/Actions:

1. The Committee notes the Executive Summary in relation to the financial performance of Citywide for the year ended 30 June 2021
2. The Committee notes the Annual Financial Report of the Citywide for the year ended 30 June 2021
3. The Committee notes that the matters raised by Committee members prior to the meeting regarding the Annual Financial Report have been resolved satisfactorily
4. The Committee notes the Officer attestations to Council in respect to the Annual Financial Report for the year ended 30 June 2021
5. The Committee notes the Officer attestations to Council in respect to the Annual Financial Report for the year ended 30 June 2021

**9.2 Citywide External Auditor's Closing Report**Outcomes/Actions:

1. The Committee notes the VAGO Closing Report for the year ended 30 June 2021, and in doing so, notes that VAGO will issue clear opinions on the Annual Financial Report for the year ended 30 June 2021.

**9.3 Citywide External Auditor's Final Management Letter**

The Chair raised the points that were noted in VAGO's management letter. Citywide responded that of the 15 items that were raised, seven have been closed out and the remaining eight are in progress with specific completion timelines. The ERP System is the most significant consideration, especially in light of the recent acquisitions.

VAGO stated that the audit process went well, with some accounting issues noted during the audit.

Outcomes/Actions:

1. The Committee notes the VAGO Final Management Letter for the year ended 30 June 2021.

*The Citywide representatives left the meeting at 10.47*

*The Committee took a break at 10:47am, returning at 10:50am*

**10 Melbourne City Council****10.1 Melbourne City Council Executive Summary**

The CFO presented an overview of the Council's consolidated financial performance for the year ended 30 June 2021, noting that the financial reporting and ARC review processes worked well.

Continued COVID-19 challenges have had a significant impact on revenue and redefined Council's role in supporting the City. The recovery and reactivation fund being pivotal to that support initiatives.



## UNCONFIRMED MINUTES

Income was lower Year-on-Year and expenses were higher than anticipated, due to the activities undertaken to support the City. Capital works increased 22% on prior year, driven by accelerated funding for bike lanes. The City's budget process for 2021/22 has included continual changes as the organisation adapts to the fluctuating economic conditions.

### Outcomes/Actions:

1. The Committee notes the Executive Summary in relation to the financial performance of the City of Melbourne for the year ended 30 June 2021

### **10.2 Melbourne City Council Consolidated Annual Financial Report 2020-21**

#### Outcomes/Actions:

1. The Committee notes the Consolidated Annual Financial Report of the City of Melbourne for the year ended 30 June 2021
2. The Committee notes that the matters raised by Committee members prior to the meeting regarding the Annual Financial Report have been resolved satisfactorily
3. The Committee recommends that Council approve 'in-principle' the Consolidated Annual Financial Report for the year ended 30 June 2021
4. The Committee requests that it be provided with final copies of signed with Consolidated Annual Financial Report for the year ended 30 June 2021

### **10.3 Melbourne City Council Management Representation Letter to VAGO**

#### Outcomes/Actions:

1. The Committee notes the Officer attestations to VAGO in respect to the Consolidated Annual Financial Report and the Annual Performance Statement for the year ended 30 June 2021

### **10.4 Melbourne City Council Management Representation Letter to Council**

#### Outcomes/Actions:

1. The Committee notes the Officer attestations to Council in respect to the Consolidated Annual Financial Report and the Annual Performance Statement for the year ended 30 June 2021

## UNCONFIRMED MINUTES

### 10.5 Melbourne City Council Annual Performance Statement

Director Governance presented the report.

#### Outcomes/Actions:

1. The Committee notes that the matters raised by Committee members prior to the meeting regarding the Annual Performance Statement have been resolved satisfactorily
2. The Committee recommends that Council approve 'in-principle' the Annual Performance Statement for the year ended 30 June 2021
3. The Committee requests that it be provided with final copies of signed with Annual Performance Statement for the year ended 30 June 2021

### 10.6 Melbourne City Council Member Feedback on AFR and APS

The Chair identified six points within the feedback schedule for further discussion with management:

- a. Point 28 – Bad debts referred to Fines Victoria
- b. Point 39 – Contingent Liabilities
- c. Point 40 – Observation regarding report presentation
- d. Point 41 – Enterprise Melbourne
- e. Point 48 – Revaluation of investment properties
- f. Point 52 – Asset revaluation relating to QVM redevelopment

All points were addressed during the meeting.

#### Outcomes/Actions:

1. The Committee notes that the matters raised by Committee members prior to the meeting have been resolved satisfactorily.

### 10.7 Melbourne City Council External Auditor's Closing Report

VAGO have completed their review of the outstanding matters listed in the report. VAGO confirmed that they would be issuing an unqualified audit opinion in relation to Council's Financial Statements.

#### Outcomes/Actions:

1. The Committee notes the VAGO Closing Report for the year ended 30 June 2021, and in doing so, notes that VAGO will issue clear opinions on the Consolidated Annual Financial Report and the Annual Performance Statement for the year ended 30 June 2021

**UNCONFIRMED MINUTES****10.8 Melbourne City Council External Auditor's Final Management Letter**

The Committee noted the VAGO Final Management Letter. There were two items of moderate risk, which were Information Technology related, and one low risk item which related to the recognition of revenue with the Melbourne City Recovery Fund. The Committee also discussed the Cyber-attack at Stonnington Council.

Outcomes/Actions:

1. Management to provide a briefing paper at the November meeting, addressing the Stonnington Cyber-attack and whether City of Melbourne would be in a position to withstand a similar attack.
2. VAGO to outline their IT security audit strategy to the Audit and Risk Committee prior to next year's audit
3. CFO to provide an update at the February meeting regarding the items noted in VAGO's management letter
4. The Committee noted the report as read.

**11 Other Business****11.1 Annual Activity Report to Council**

Report was taken as read.

Outcomes/Actions:

1. The Committee noted the report.

**11.2 ARC Performance Assessment Survey (verbal)**Outcomes/Actions:

1. Audit and Risk Committee Assessment Survey to be presented at the November meeting.

**12 Committee meeting with External and Internal Audit in the absence of management**

The Committee met with the external and internal auditors without management present. No issues of concern were raised by the auditors.

**13 Meeting close**

The meeting concluded at 11:51am

Chairperson  
Audit and Risk Committee  
City of Melbourne