



City of Melbourne Audit and Risk Committee

2022–23 Annual Activity Report

1. Introduction

The City of Melbourne (the City) has established an Audit and Risk Committee (the Committee) pursuant to section 53 of the *Local Government Act 2020*. The Council has approved a Charter setting out the Committee's role and responsibilities. The Committee is required to annually report to Council on its activities pursuant to the Charter. This report covers the Committee's activities for the year ended 30 September 2023.

The Audit and Risk Committee is an independent committee of Council. Its purpose is to support and advise Council in fulfilling its responsibilities related to external financial and performance reporting, maintenance of strong and effective governance and control frameworks, management of key risks and Council's compliance with legislation and regulation. The Committee has a prime responsibility in overseeing and monitoring Council's various audit processes.

This is the second report by the Committee on its activities for the year, the mid-year report having been provided to Council in May 2023. As this report has the dual purposes of meeting the Committee's biannual reporting requirements and providing a full view of its work over the past year, matters raised in the earlier biannual report to Council may appear in this report for completeness.

2. Independence

An independent Audit and Risk Committee is a fundamental component of a strong corporate governance culture. Council's Committee is independent of management and is not involved in any operational decisions. Committee members do not have any executive powers, management functions or delegated financial responsibilities.

3. Reporting Period

This report covers the activities of the Committee for the year ended 30 September 2023, during which time the Committee met on five occasions as per its Annual Work Plan. The Committee has five scheduled meetings in its annual meeting cycle.

4. Committee Charter

The Audit and Risk Committee Charter underwent a full review resulting in a contemporary rewrite which was endorsed by Council at its May 2023 meeting. Further minor updates to the Charter were presented to the Committee in August 2023 and were endorsed. This latest update was presented to Council at the August 2023 meeting.

5. Committee Membership

The Committee is comprised of seven members appointed by Council, with three members being Councillors and four members being independent of Council. The independent members are required to have appropriate skill sets and experience as mandated in section 53 of the LGA. The LGA also requires that there must be a majority of independent members and that an independent member must be chairperson of the Committee. All members have full voting rights.

The term of independent member Stuart Hall concluded on 30 June 2023. Mr Hall served with distinction for three terms (nine years). The Committee was pleased welcome Andrew Dix to the Committee as a new independent member following a recruitment process.

The membership of the Committee during the reporting period is set out below:

Member	Role	Tenure	
		Start Date	End Date
Geoff Harry (Chair)	Independent	1 July 2021	30 June 2025
Stuart Hall	Independent	1 July 2019	30 June 2023
Jen Johanson	Independent	1 July 2022	30 June 2025
Rachel Thomson	Independent	1 July 2022	30 June 2025
Andrew Dix	Independent	1 July 2023	30 June 2026
Cr Philip Le Liu	Councillor	November 2016	26 October 2024
Cr Jamal Hakim	Councillor	15 December 2020	26 October 2024
Cr Davydd Griffiths	Councillor	1 July 2022	26 October 2024

6. Meetings and Attendance

A total of five meetings were held during the reporting period. There were four regular quarterly meetings in November 2022 and in February, May and August 2023 plus a special meeting in September 2023 to consider the Annual Financial Report and the Annual Performance Statement for the year ended 30 June 2023. A summary of meeting dates and attendance is shown in the table below.

Meeting attendance was excellent with Committee members maintaining good attendance for the entire year.

Senior management representatives also attended each Committee meeting. These included the Chief Executive Officer, Chief Financial Officer, Director Governance, Director Finance & Investment, Manager Corporate Performance and Strategic Risk, Enterprise and Strategic Risk Team Leader and the Audit and Compliance Specialist. Other senior members of Council's management team attended meetings on an 'as needs' basis depending on Committee's agendas. Senior representatives of the two subsidiary companies, including the Chairs of their Audit and Risk Committees, attended the September 2023 Committee meeting.

The Committee has enjoyed excellent working relationships with all parties with whom it has interacted and has been appreciative of the significant resource commitment required at officer level to ensure that the Committee has remained effective and value adding to Council.

Table 1 – Member Attendance

Member	Quarterly Meetings				Special Meeting 15 Sep 2023
	11 Nov 2022	10 Feb 2023	5 May 2023	11 Aug 2023	
Geoff Harry	Attended	Attended	Attended	Attended	Attended
Stuart Hall	Attended	Attended	Attended	Not a member	Not a member
Jen Johanson	Attended	Attended	Attended	Attended	Attended
Rachel Thomson	Attended	Attended	Attended	Attended	Apology
Andrew Dix	Not a member	Not a member	Not a member	Attended	Attended
Cr Philip Le Liu	Attended	Attended	Attended	Attended	Attended
Cr Jamal Hakim	Attended	Attended	Attended	Apology	Attended
Cr Davydd Griffiths	Apology	Attended	Attended	Attended	Attended

7. Annual Work Plan

The Committee's activities have remained focussed on discharging its responsibilities set out in its Charter as approved by Council from time to time. To ensure that the Committee completes its work, an Annual Work Plan setting out its programme of work, including frequency and timing of each element of the plan is prepared. The Annual Work Plan is a key document for the Committee in directing its work. The Committee recently approved a new work plan for 2023/24.

The Committee revises the work plan as the year progresses to ensure that it remains relevant and enables the Committee to fully discharge its responsibilities to Council. The agendas for the meetings in the reporting period have been driven by the Committee's Annual Work Plan (AWP) and all meetings have been busy.

The work of the Committee is summarised below in each of its key areas of responsibility.

Financial and performance reporting

The Committee discharged its responsibilities in relation to the consolidated annual financial report of Council and its subsidiary companies and the annual performance statement of Council.

On 15 September 2023 a special meeting of the Committee was held to consider the annual financial report of Council and its subsidiaries and the annual performance statement of Council for the year ended 30 June 2023.

After Committee members reviewed the annual financial reports and performance reports, received officer presentations and representations, reviewed the outcomes of the external audits and discussed the reports with representatives of the Audit and Risk Committees of the subsidiary companies, the Committee endorsed the annual financial report and the annual performance statement to Council and recommended that Council sign these reports 'in principle' as required by the LGA.

During the reporting period the Committee also received management reports on Council's financial performance.

Risk management

The Committee continued to monitor Council's risk management performance and the effectiveness of the Risk Management Framework. Once again the reporting period has been particularly busy for the risk management team. This has included the implementation of a revised Risk Management Framework and program of work to uplift risk management in critical areas of risk governance, culture, monitoring and reporting and capability.

In addition to monitoring the effectiveness of Council's risk management uplift program the Committee has regularly received reports on a range of specific risk areas, again to monitor Council's performance in regard to exposures. These areas include the following matters:

- Safety and wellbeing for employees
- Emergency Preparedness
- QVM Precinct Renewal Program
- Procurement
- Management of combustible cladding across the municipality
- Asset Management
- Cybersecurity
- Business Continuity

- Legal matters, including claims against Council by third parties
- Insurance program renewal and claims management
- Fraud and corruption
- The implications for Council of investigations undertaken by Victorian integrity agencies across the entire public sector.

Internal control framework

The Committee's annual work plan requires it to monitor the effectiveness of key internal control elements. The review of key internal control elements by officers is a four-year rolling plan that is based on identification of key elements of the internal control environment. The Committee's oversight role with regard to this plan also assists it to monitor alignment of Council's policies and procedures with the overarching governance principles as mandated in the new LGA.

Policies reviewed or created in the reporting period include the following:

- Treasury Policy
- Financial Sustainability Policy and Framework
- Liquidity and Cash flow Reporting Policy
- Wholly Owned Subsidiary Protocol
- Risk Management Policy and Framework
- Crisis and Business Continuity Policy and Plan
- Audit and Risk Committee Charter
- Public Interest Disclosure Policy and Controls
- Procurement Policy
- Delegations of Authority (report received however discussion deferred)

The Committee's overall assessment is that Council has continued to maintain a strong internal control environment despite many challenges, both known and emerging, and is aware of the need to respond to new and emerging influences that may impact the effectiveness of controls.

Subsidiary entities

The Committee received regular reports from the subsidiary companies' Audit and Risk Committees related to audit activity and outcomes and changes in risk profile. The Committee also oversaw, at a high level, fulfilment of annual financial reporting obligations of all Council controlled entities as reported above.

Internal audit

A key responsibility of the Committee is to monitor Council's internal audit programme. The programme is outsourced to an appropriately skilled service provider whose work is monitored by the Committee.

A rolling three-year strategic internal audit plan is in place to ensure that systems and controls in the areas of higher risk are regularly reviewed. The Committee reviews the plan annually. The review for the FY2023/24 plan was completed in May 2023. The Committee also monitors delivery of the plan at every Committee meeting.

PricewaterhouseCoopers continued to provide internal audit services to Council and the subsidiary companies throughout the year in accordance with its contracts with all three entities. The Committee has also monitored delivery of the FY2022/23 Internal Audit plan. The Committee has also considered and made a recommendation to Council regarding the transition of Council's Internal Audit Contract to Scyne Advisory following PwC's decision to separate its government services to Scyne.

The Committee reviewed scopes for all internal audit reviews prior to commencement of work to ensure alignment of internal audit activity with the risk profile of Council and the requirements of the Committee. The internal audit reports provided at the conclusion of each review contain audit findings and recommendations for control improvements, together with management responses, and are presented to the Committee for review at each meeting. The Committee monitors implementation of the recommendations by the agreed due dates.

The following internal audit reports were presented to the Committee during the reporting period. These are listed below showing overall review ratings.

Review Area	ARC Meeting
Food Premise Health Inspections	Nov 2022
Grants Management	Nov 2022
Emergency & Crisis Management	Feb 2023
Business Continuity Management	Feb 2023
Management of External Complaints	May 2023
Management of Parking Services	May 2023
Lady Huntingfield Post Implementation Review	May 2023
ICT Strategy	Aug 2023

A summary of the status of implementation of recommendations was presented to the Committee at each meeting to enable it to monitor progress. The higher number of actions is the result of a high level of Internal Audit activity in the period to make up for delayed reviews from the 2021/22 Internal Audit Plan.

	Total
Open Actions at August 2022	49
Add New Actions Reported since August 2022	114
Less Actions completed since August 2022	64
Open Actions at August 2023	99

The Committee monitors closure of internal audit recommendations at every meeting, and is satisfied that Council is closing them appropriately and on a timely basis.

External audit

The Victorian Auditor General's Office (VAGO) continued to take direct responsibility for delivery of the external audit of Council and its subsidiary companies.

The external audit plan for the year ended 30 June 2023 was presented and approved at the February 2023 Committee meeting.

The external audit for 2022/23 was completed successfully, with confirming audit opinions provided by VAGO on both subsidiary companies before Council was required to approve the consolidated annual financial report.

There were no matters of significance reported in the VAGO Closing Report and matters raised in the management letters issued during and after conclusion of the audit have been accepted by management and are being progressed. The Committee continues to monitor the status of these actions.

Compliance management

The Committee received regular reports on compliance performance across the business, with a focus on legislative compliance. These reports are based on quarterly surveys of senior officers of Council. It was pleasing to note that in the reporting period there were no significant compliance events reported to the Committee.

In addition to these activities, the Committee also reviewed reimbursements of expenses to Councillors and Delegated Committee members as specifically required in the new LGA.

Other matters referred by Council

There were no matters referred by Council for the Committee to consider in the reporting period.

Other matters

The Committee received an update from the Acting/CEO each quarter. These updates provide a wider insight on Council operations. Further, Independent Committee Members were invited to receive additional communications on activity occurring at Council outside the set meeting cycle.

8. Committee Performance Assessment

An assessment of the Committee's performance was completed in February 2023. The Committee's work plan includes a performance assessment annually and the next one is scheduled for February 2024.

9. Conclusion

I would like to thank Councillors, fellow Committee members, Council officers and Council's assurance service providers for their contributions and support of the work of the Committee during the reporting period. In addition, the Audit & Risk Committees and senior officers of the subsidiary companies have also continued to respect the work of the Committee and have provided excellent support to it.

The Committee's contextual environment remains dynamic and its workload challenging. I have appreciated the willingness of all members to engage fully in the Committee's work and make time outside meetings to deal with Committee business as required.

Yours sincerely
Geoff Harry
Chair
On Behalf of the Audit and Risk Committee
September 2023