



# City of Melbourne Audit and Risk Committee

Performance Report 2017-18

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# 1. Introduction

The City of Melbourne Audit and Risk Committee (the Committee) has continued to undertake its role in providing independent advice to the Council and management of the City of Melbourne (the City) throughout the period 1 July 2017 to 30 June 2018 as covered by this report.

The Committee's role is to report to the Council and provide appropriate advice and recommendations on matters relevant to its charter in order to facilitate decision making by the Council in relation to the discharge of its responsibilities.

The objective of the Committee is to oversee:

- the integrity of external financial reporting, including accounting policies
- the scope of work, objectivity, performance and independence of the external and internal auditors
- the establishment, effectiveness and maintenance of controls and systems to safeguard the City's financial and physical resources
- the systems or procedures that are designed to ensure that the City and its subsidiaries comply with relevant statutory and regulatory requirements
- the process for recognising risks arising from the City's operations and strategies, and consider the adequacy of measures taken to manage those risks, including compliance
- the processes and systems which protect the Council against fraud and irregularities including the Protected Disclosures Act procedures.

To achieve its objective, some of the key activities undertaken by the Committee during this period were to:

- review the draft Financial Statements and recommend their adoption to Council
- review the Annual Performance Statement and recommend its adoption to Council
- approve the scope of the Internal Audit Program to ensure that planned Internal Audit activity is aligned to key business risks
- review the plans, results and effectiveness of the Internal Audit Program
- monitor compliance obligations and challenge the existence and effectiveness of accounting and financial systems and other systems of internal control and business risk management.

Overall, through its work, the Committee's aim is to add to the credibility of Council by promoting ethical standards.

Under the guidance of the Committee Chair, Mr Richard Moore, the focus on strategic risk issues was continued while ensuring that all key operational risks were still considered.

In fulfilling its responsibilities, the Committee has provided input and advice in relation to Internal Audits carried out by contracted Internal Auditors, Oakton P/L (Oakton) for the City during the reporting period.

During the year, Oakton made an annual declaration of independence to the Committee, declaring that they had maintained their independence and would continue to maintain their independence.

The Committee also reviewed procedures and policies the Council has in place to ensure compliance with laws and regulations, in areas such as occupational health and safety and the environment, in addition to the adequacy of insurance and other best practice corporate governance processes.

## **2. Audit and Risk Committee membership**

The composition of the Committee according to its charter is four independent members and three Council representatives. The membership of the Committee during 2017-18 is set out below:

### **2.1 Council representatives**

Deputy Lord Mayor Arron Wood	July 2017 to June 2018
Cr Tessa Sullivan	July 2017 to December 2017
Cr Philip Le Liu	July 2017 to June 2018

Cr Tessa Sullivan resigned from Council in December 2017. As the Committee was already considering a reduction in the number of councillors on the Committee as part of the 2018 charter review (refer 7.4) it was decided to operate with two councillors for the remaining two meetings of the 2017-2018 year.

### **2.2 Independent members**

Mr Richard Moore (Chairman)	July 2017 to June 2018
Ms Therese Ryan	July 2017 to June 2018
Mr Stuart Hall	July 2017 to June 2018
Mr Geoff Harry	July 2017 to June 2018

## **3. Meetings and attendance**

A total of five meetings were held during the period under review. There were four regular quarterly meetings in August, November, February and May plus a special meeting held in August to consider the Annual Financial Accounts. A summary of meeting dates and attendance is shown in the table below.

Representatives of the Victorian Auditor General's Office (External Auditors) as well as representatives from Oakton, the internal audit service provider for the period, attended each quarterly meeting and the Special Committee meeting.

In addition to the three Council representative members on the Committee, an invitation to attend Committee meetings was extended to all Councillors for each of the quarterly meetings.

Senior management representatives also attend each Committee meeting. These include the Chief Executive Officer, Chief Financial Officer, Manager Governance and Legal and Coordinator Risk Management.

**Table 1 – Membership, meeting dates and attendance**

Attendee	Role	4/08/2017 Quarterly	25/08/2017 Special	17/11/2017 Quarterly	16/02/2018 Quarterly	4/05/18 Quarterly
Richard Moore	Chairman	Attended	Attended	Attended	Attended	Attended
Therese Ryan	Member	Attended	Did not attend	Attended	Attended	Attended
Stuart Hall	Member	Attended	Attended	Attended	Attended	Attended
Geoff Harry	Member	Attended	Attended	Attended	Attended	Attended
Deputy Lord Mayor Arron Wood	Council Representative	Attended	Attended	Attended	Attended	Attended
Cr Tessa Sullivan	Council Representative	Attended	Attended	Attended	N/A	N/A
Cr Philip Le Liu	Council Representative	Did not attend	Attended	Attended	Attended	Attended

## 4. Internal audit

### 4.1 Internal audit contract

During the period under review, Oakton undertook the single extension year of their contract. As this contract expires on 30 June 2018 a tendering process was commenced in November 2017 for provision of internal audit services from 1 July 2018. Oakton Services Pty Ltd was awarded the new contract by Council at its meeting on 29 May 2018.

Representatives from Oakton attended each Committee meeting and presented the results of the audits they had undertaken, responded to questions and both gave to and received advice from the Committee.

### 4.2 Internal audit reports program 2017-18

The 2017-2020 Internal Audit plan was presented to the Committee in August 2017. Further to some additional commentary being added the plan was approved at that meeting.

Oakton continued the practice of presenting the Terms of Reference for each internal audit to the Committee for discussion before their execution in order to ensure that the focus remained aligned to the risk profile of the organisation and the requirements of the Committee.

Final internal audit reports were reviewed and discussed by the Committee at each of the scheduled meetings. The status of Internal and External Audit recommendations was reported to the Committee on a quarterly basis and details of any outstanding recommendations provided.

### 4.3 Internal audit reports reviewed

A total of thirteen internal audit reports were presented to the Audit and Risk Committee during the period under review. These are listed below with the overall rating, the number of findings by risk level and the number of recommendations for each report.

**Table 2 – 2016-17 Internal audits with overall audit and findings ratings**

Audit name	Meeting	Overall rating	High Risk Findings (total 0)	Medium Risk Findings (total 17)	Low Risk Findings (total 23)	Improvement Opportunities (total 2)	Recommendations (total 69)
Lease management	4 August 2017	Effective	-	-	-	-	-
Open space contributions	4 August 2017	Satisfactory	-	-	2	-	4
Venue and outdoor space hire management	4 August 2017	Requires improvement	-	3	1	-	5
Events management	4 August 2017	Satisfactory	-	-	4	-	10
Procurement	17 November 2017	Satisfactory	-	2	1	-	4
Capital works program	17 November 2017	Satisfactory	-	1	2	-	4
Cyber security	17 November 2017	Requires improvement	-	3	4	-	10
Emergency management planning	16 February 2018	Effective	-	-	-	1	2
Cash handling and collection	16 February 2018	Satisfactory	-	1	1	-	2
IT security	16 February 2018	Requires improvement	-	4	7	-	18
Disposal of assets	4 May 2018	Requires improvement	-	3	-	-	7
Councillor and employee expenses	4 May 2018	Effective	-	-	-	-	-
Parking permits and vehicle towing	4 May 2018	Satisfactory	-	-	1	1	3

In addition, the Committee reviewed and approved Terms of References for Asset management and Follow up of audit recommendation audits which had been substantially completed but not reported by the end of this reporting period.

### 4.4 Oversight of internal audit performance

The Committee monitored the performance of the Internal Auditor through ongoing review of Internal Audit reports, the quarterly Internal Audit Status reports and the Contract Performance report which was presented to the Committee by management in February 2018.

### 4.5 Implementation of audit recommendations

The Committee continued to encourage management to implement Internal and External Audit recommendations in a timely manner to ensure that better practices and controls in all council's services are achieved.

A summary of progress was presented to the Committee in the Governance and Legal report each quarter to provide an ongoing mechanism for monitoring the implementation of audit recommendations. The total number of new recommendations raised by Oakton during the year was 69. Twelve recommendations were carried over from the previous year. Sixty seven recommendations were implemented on schedule and no issues reported as not implemented within agreed timeframes during the period under review. Fourteen recommendations were open as at 30 June 2018. This reflects the ongoing commitment of the organisation to address audit recommendations in a timely and responsible manner.

## **5. External Audit**

The Victorian Auditor General's Office (VAGO) continued to take the responsibility for external audits of the City.

Tim Loughnan, Director Financial Audit, has been the VAGO officer responsible for the external audit of the City and its subsidiary companies from the start of 2014. The Client Audit Strategy to 30 June 2018 was presented for consideration at the February 2018 Committee meeting and the new focus on data analytics was highlighted.

VAGO's approach focuses on key financial reporting risks. This involves gaining an understanding of significant financial reporting processes and a combination of internal control testing and substantive audit procedures to assess the residual risk of material error.

## **6. Oversight of annual financial reports**

During the year, a special meeting to consider the accounts of the City and its subsidiaries for the year ended 30 June 2017 was held on 25 August 2017. After presentations from the Chief Finance Officers of subsidiary companies and the City, the Committee undertook a thorough review of the Financial Statements and after some edits were identified to be made the Audit and Risk Committee recommended to Council that they approve the 'in principle' Annual Financial Statements, Performance Statement and Standard Statements. This work was undertaken by the Committee in a timely manner so that final clearance of all financial statements (City of Melbourne and subsidiaries) was received within the deadline imposed under the Local Government Act.

Independent Audit Committee member Geoff Harry has worked with City of Melbourne Chief Finance Officer and the Victorian Auditor General's Office to make improvements to the disclosures in the new model annual financial report being introduced for the first time in financial year 2018 (FY18) The outcome was that some improvements were agreed and will be reflected in the FY18 Annual Financial Report.

## **7. Duties and responsibilities**

### **7.1 General assessment**

The Audit and Risk Committee works to its Charter (Audit and Risk Committee Charter). An annual work plan is developed from the Charter and is the basis by which the Committee tracks its responsibilities and monitors its performance throughout each year. A table has been developed which documents activities to be undertaken in respect of each of the responsibilities under the Charter as approved by Council. This is attached at Appendix 1.

### **7.2 Monitoring of legal claims**

As part of managing the City's risk exposure, the Committee received quarterly reports, which identify litigated claims or other matters settled or pending and any monetary movement associated with those claims.

### **7.3 Subsidiary companies**

The Committee received quarterly reports from the subsidiary companies' Audit and Risk Committees and the Committee has been satisfied with the improvements in the standard of these reports. The Committee also oversaw, at a high level, fulfilment of financial reporting obligations of a number of council related entities including trusts.

### **7.4 City of Melbourne Audit and Risk Committee Charter review**

The City of Melbourne Audit and Risk Committee Charter is reviewed annually and was reviewed in February 2018. The main amendment coming from this review was a change in composition of the Audit and Risk Committee. The composition changed from four independent members and three council representatives to three independent members and two council representatives. This was approved by the committee as it was believed that a smaller committee would be more efficient and it was considered important to retain the best practice structure of a majority of independent members. The updated Charter was subsequently approved by Council at its meeting in March 2018.

The Committee is aware of the changes in the proposed Local Government Act 2018 that will impact on its responsibilities and is prepared to review its Charter further as soon as the new act becomes operative.

### **7.5 Other activities**

In addition to the activities directly identified in the Committee Charter, the Committee undertook a number of activities and considered several other initiatives and reports throughout the year. These included:

- Strategic Risk identification (November 2017; May 2018)
- Insurance renewal report (August 2017)
- Queen Victoria Market precinct renewal report (August 2017; November 2017; February 2018; May 2018)
- Gifts, hospitality and conflicts of interest (November 2017)
- Operational risk report (November 2017; May 2018)
- Auditor independence (February 2018)
- A Committee representative was a non-voting member of the panel that evaluated tenders for the new Internal Audit contract and recommended a successful tenderer to Council for approval (May 2018).
- Emergency preparedness – evacuation, response and business continuity (November 2017)
- Insurance pre-renewal report (May 2018)
- Ongoing quarterly reports of audit activities undertaken for subsidiaries, direct investment entities and trusts and other entities in which the City has either an interest or control.

## **8. Audit and Risk Committee Effectiveness Survey**

Following a recommendation from VAGO, the Committee Effectiveness self-assessment survey was redesigned in 2014 to align strongly with the best practice model of the Australian National Audit Office. The survey was also run in November 2015, June 2016 and June 2017. In June 2018, the same self-assessment survey was undertaken for the fourth time and was completed by members of the Audit and Risk Committee and regular attendees of the Committee meetings.

The survey is made up of twenty five assessments under nine main headings which were:

- Audit and Risk Committee charter.
- Audit and Risk Committee skills and experience.



- Understanding and appreciation of the City of Melbourne's Risk Management Framework, Lean Thinking program and legislative and policy compliance arrangements.
- Audit and Risk Committee meeting administration and conduct.
- Communications to Council.
- Quality of management reports to Audit and Risk Committee.
- Internal Audit.
- External Audit.
- Consideration of effectiveness.

The results of the survey are attached at Appendix 2. The survey is extended to Committee meeting attendees as well as Committee members and recognising that these groups may have a different perspective, the results of each group are shown separately in the graphs. This year the survey was sent out to six Committee members and eight other attendees. Responses were received from six Committee members and six other attendees.

'Strongly agreeing' with the statements which were all expressed in the positive, resulted in a score of four and was the highest possible score. 'Agree' was scored three, 'Disagree' scored two and 'Strongly disagree' scored one. 'Neither agree nor disagree' was taken to mean the same as 'don't know' or 'not applicable' and was scored zero and was not included in the calculation of the average.

The overall rating was 89% (2013-2014 82%; 2014-2015 77%, 2015-2016 82%, 2016-2017 88%). This is an improvement on previous year's responses. Respondents were also asked to make comments on each of the main sections and these are included in the attached report and will be considered for ideas for improvement by the Committee.

## **9. Overall assessment of City of Melbourne's risk, control and compliance framework**

The Committee's overall assessment is that the City has continued to enhance its management of strategic and operational risk, financial and other internal controls and compliance.

It is the independent view of the Committee that the governance culture of the City of Melbourne is supporting the development of a robust risk, control and compliance framework which continues to strengthen and adapt to changes in the City of Melbourne's operations.

## **10. Retirement of Audit and Risk Committee Chair**

I was first appointed Chair of the Committee in July 2009 and have been re-elected each year of my three three-year terms since then.

The Charter states

- 5.1 Independent members will be appointed for an initial period not exceeding three years. Members may be re-appointed for a further period. Members will not be appointed for more than three consecutive terms.

I have therefore come to the end of my allowed term. In order to ensure a smooth hand over the election of the 2018-2019 Chair of the Committee was held in May 2018 and Mr Geoff Harry will be the Chair from 1 July 2018.

I would like to thank Councillors, fellow independent members and Council staff for their contribution and support during my time on the City of Melbourne Audit and Risk Committee.

Richard Moore  
Audit and Risk Committee Chair  
City of Melbourne

30 June 2018

## **Appendix 1: Audit and Risk Committee responsibilities and corresponding activities undertaken**

### **7.1 Risk Management**

- 7.1.1 Review whether management has in place a current and comprehensive enterprise risk management framework and associated procedures for effective identification and management of council's business and financial risks.
- 7.1.2 Determine whether a sound and effective approach has been followed in managing council's major risks including those associated with individual projects, program implementation and activities.
- 7.1.3 Assess the impact of the council's enterprise risk management framework on its control environment and insurance arrangements.
- 7.1.4 Review the process of developing and implementing the council's fraud control arrangements to assist council in ensuring it has appropriate processes and systems in place to detect, capture and effectively respond to fraud and improper activities.

#### **Summary of activity undertaken in 2017-2018**

During 2017–18 the following papers were presented to the Audit and Risk Committee - Strategic Risk reports (November 2017; May 2018); Operational Risk reports (November 2017; May 2018).

At each meeting any Fraud, Corruption & Protected disclosure issues were considered. Also each quarter the subsidiaries Queen Victoria Market and Citywide presented their risk reports. The management of risks in relation to the redevelopment of QVM is reported in a quarterly report to Audit and Risk Committee which will continue for the life of the project.

All internal audits are considered in light of related strategic and operational risks.

### **7.2 Business continuity**

- 7.2.1 Consider whether a sound and effective approach has been followed in establishing council's business continuity planning arrangements, including whether business continuity and disaster recovery plans have been periodically updated and tested.

#### **Summary of activity undertaken in 2017-2018**

The Audit and Risk Committee received a report on emergency preparedness, Exercise Off the Grid, which was undertaken in May 2017 (Report to November 2017), together with regular updates within the Governance and Legal reports.

### **7.3 Internal control**

- 7.3.1 Review whether management's approach to maintaining an effective internal control framework is sound and effective.
- 7.3.2 Review whether management has in place relevant policies and procedures, including Chief Executive's Instructions or their equivalent, and that these are periodically reviewed and updated.
- 7.3.3 Consider whether the appropriate processes are in place to assess, at least once a year, whether key policies and procedures are complied with.
- 7.3.4 Review whether appropriate policies and supporting procedures are in place for the management and exercise of delegations.
- 7.3.5 Consider how management identifies any required changes to the design or implementation of key internal controls.

#### **Summary of activity undertaken in 2017-2018**

All Internal Audits undertaken and reported to the Audit and Risk Committee during this period covered issues on internal control and reviewed compliance with policies and procedures. Matters reported each quarter in the CEO report relate to ongoing key internal controls such as adherence to the Annual plan and OHS reporting.

### **7.4 Compliance**

- 7.4.1 Review the systems and processes to monitor effectiveness of the system for monitoring compliance with legislation and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 7.4.2 Keep informed of the findings of any examinations by regulatory agencies and any auditor (internal or external) observations and monitor management's response to these findings.
- 7.4.3 Obtain regular updates from management about compliance matters.

#### **Summary of activity undertaken in 2017-2018**

A number of the Internal Audits undertaken during 2017-18 covered issues of compliance with legislation and regulations including Occupational Health and Safety, Road Management Plan and Childcare. . A process for the regular monitoring and reporting of legislative compliance obligations is undertaken each quarter and reported to the Committee.

### **7.5 Internal audit**

- 7.5.1 Review with management and the internal auditor the charter, activities, staffing, and organisational structure of the internal audit function.

- 7.5.2 Review the specifications for the Provision of Internal Audit Services contract and participate in the tender evaluation process.
- 7.5.3 Review and recommend the annual internal audit plan for approval by the Council and all major changes to the plan.
- 7.5.4 Monitor that the internal auditor's annual plan is linked with and covers the material business risks.
- 7.5.5 Monitor processes and practices to ensure that the independence of the audit function is maintained.
- 7.5.6 Annually review the performance of internal audit including the level of satisfaction with internal audit function having consideration of the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- 7.5.7 Provide an opportunity for the Audit and Risk Committee to meet with the internal auditor to discuss any matters that the Audit and Risk Committee or internal auditor believes should be discussed privately.
- 7.5.8 Review all audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 7.5.9 Monitor management's implementation of internal audit recommendations.

### **Summary of activity undertaken in 2017-2018**

Oakton continued to provide internal audit services throughout 2017-18. The internal auditor provided its statement of independence to the February 2018 meeting. Considerable work was undertaken reviewing and improving the Internal Audit plan throughout the year. The Audit and Risk Committee met with Oakton without management quarterly. Audit reports were provided to each meeting of the Audit and Risk Committee throughout the year. The status of the implementation of internal audit recommendations was presented to each Audit and Risk Committee meeting during the period under review.

### **7.6 External audit**

- 7.7.1 Note the external auditor's proposed audit scope and approach for financial performance audits, including any reliance on internal auditor activity.
- 7.6.2 Consider the findings and recommendations of relevant Performance Audits undertaken by the external auditor and ensure the council implements relevant recommendations.
- 7.6.3 Monitor processes and practices to ensure that the independence of the external audit function is maintained.
- 7.6.4 Provide an opportunity for the Audit and Risk Committee to meet with the external auditors to discuss any matters that the Audit and Risk Committee or the external auditors believe should be discussed privately.
- 7.6.5 Review all external audit reports and provide advice to the Council on significant issues identified in audit reports and action to be taken on issues raised, including identification and dissemination of good practice.
- 7.6.6 Annually review the performance of external audit including the level of satisfaction with external audit function.
- 7.6.7 Monitor management's implementation of external audit recommendations.

## **Summary of activity undertaken in 2017-2018**

Victorian Auditor General's Office continued to be City of Melbourne's External Auditor for 2017-2018. The external auditor's Client Strategy for year ending 30 June 2018 was presented to the Audit and Risk Committee at the February 2018 meeting. The Audit and Risk Committee considered the final management letter in August 2017 and the Interim management letter was presented to Audit and Risk Committee members in May 2018. The Audit and Risk Committee met with the external auditors without management at each meeting. External Audit recommendations are reported to the Audit and Risk Committee in the Governance report.

### **7.7 Subsidiary Companies**

- 7.7.1 Note and consider the annual Internal Audit Plan and, through quarterly reporting, note the Audit Status Report detailing progress against the plan, issues and risks identified and remedial activities scheduled.
- 7.7.2 Note and consider the annual Internal Audit Report, summarising the status of all Internal Audit recommendations.
- 7.7.3 Note and consider the macro risk profile annually and the risk matrix that identifies the top five key strategic risks. Through quarterly reporting, note any new or changing risks that impact the risk profile and/or the key strategic risks.
- 7.7.4 Note and consider through quarterly reporting, information relating to:
- OH&S statistic and major incidents and near misses
  - actual and potential fraud activity
  - legal claims
  - instances of non-conformance with laws and regulations
  - proposed changes to accounting policies
  - material, unusual accounting transactions and adjustments.
- 7.7.5 The Chair of the Committee will meet with the Chairs of the subsidiary Committees at least annually for exchange of information and ideas.
- 7.7.6 Note and consider the External Auditor's annual management letter.
- 7.7.7 Note and consider the annual report from the subsidiaries relating to the performance of their Internal and External Auditors.
- 7.7.8 Note and consider the Committee charters of the subsidiaries and any subsequent changes thereto.

## **Summary of activity undertaken in 2017-2018**

The Committee received and considered reports on these matters from Citywide and Queen Victoria market at each of its quarterly meetings. The Chair of the Audit and Risk Committee met with the Chairs of the subsidiary Committees during the period under review.

## **7.8 Financial report**

- 7.8.1 Review significant accounting and reporting issues, including complex or unusual transactions and highly judgemental areas, and recent accounting, professional and regulatory pronouncements and legislative changes, and understand their effect on the financial report.
- 7.8.2 Review with management and the external auditors the results of the audit, including any difficulties encountered.
- 7.8.3 Review the annual financial report and performance report of the City of Melbourne and its subsidiaries, and consider whether it is complete, consistent with information known to Committee members, and reflects appropriate accounting principles.
- 7.8.4 Review the process for the consolidation of financial information of council related entities into the financial reports of council.
- 7.8.5 Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.
- 7.8.6 Recommend the adoption of the Consolidated Financial Statements to Council.

### **Summary of activity undertaken in 2017-2018**

At its special meeting in August 2017 the Audit and Risk Committee examined in detail the Financial Statements of City of Melbourne and its subsidiaries and their consolidation. The adoption of the 2016-17 consolidated financial statements was recommended to Council by the Audit and Risk Committee following the completion of recommended amendments. The external Auditors, VAGO, attended Audit and Risk Committee meetings and reported on the progress of their financial audits.

## **7.9 Reporting responsibilities**

- 7.9.1 Report regularly to the Council about Audit and Risk Committee activities, issues, and related recommendations through circulation of minutes and the Audit and Risk Committee's annual report. Additional updates may be appropriate should issues of concern arise.
- 7.9.2 Monitor that open communication between the internal auditor, the external auditors, and the council management occurs.

### **Summary of activity undertaken in 2017-2018**

The minutes of all meetings were presented to the following meeting of Council.

In addition, a brief synopsis of key issues discussed at each Committee meeting was sent to all Councillors immediately following each Committee meeting.

The annual performance report of the Committee for 2016-2017 was forwarded to Council in November 2017.

## **7.10 Other responsibilities**

- 7.10.1 Perform other activities related to this charter as requested by the Council.

7.10.2 Annually review and assess the adequacy of the Committee Charter, request Council approval for proposed changes, and ensure appropriate disclosure as might be required by legislation or regulation.

7.10.3 Annually confirm that all responsibilities outlined in this charter have been carried out.

7.10.4 Annually evaluate the Committee's performance.

#### **Summary of activity undertaken in 2017-2018**

Council ratified the appointment of the Committee Chair for 2017-2018 in August 2017.

The annual Audit and Risk Committee performance report presented to Council in November 2017 confirmed that all responsibilities in the Charter had been carried out and included a self-assessment of their performance.

The Charter was reviewed by the Audit and Risk Committee in February 2018 and approved by Council in March 2018

### **7.11 Transparency measures adopted**

7.11.1 The Annual Committee Performance Report is to be presented to Council in August annually and published on the Council's website.

7.11.2 A 'one-off' End of Council Term Report is to be presented prior to the end of each Council term to a closed session of Council, before the caretaker period commences.

7.11.3 A briefing paper from the Committee is to be sent to Councillors after each of the four regular Committee meetings summarising progress, matters discussed and any issues the Committee wishes to share with all Councillors.

7.11.4 The Chair of the Committee will present the annual Internal Audit Plan to a Councillor Forum prior to commencement of the financial year, followed by an in-camera session with Councillors immediately after the conclusion of Councillor Forum.

7.11.5 Internal audit reports and external audit reports shall not be made public.

#### **Summary of activity undertaken in 2017-2018**

The 2016-2017 Annual Committee Performance report was presented to Council in December 2017 and subsequently published on the Council's website. Briefing papers were sent to Councillors after each quarterly meeting during the period under review. The Chair of the Committee presented the 2017-2018 Internal Audit Plan to Councillor Forum in September 2017.



## Appendix 2: Self-assessment survey results

NOTE: 'Strongly agreeing' with the statements which were all expressed in the positive, resulted in a score of four and was the highest possible score. 'agree' was scored three, 'disagree' scored two and 'strongly disagree' scored one. 'Neither agree nor disagree' was taken to mean the same as 'don't know' or 'not applicable' and was scored zero and was not included in the calculation of the average.

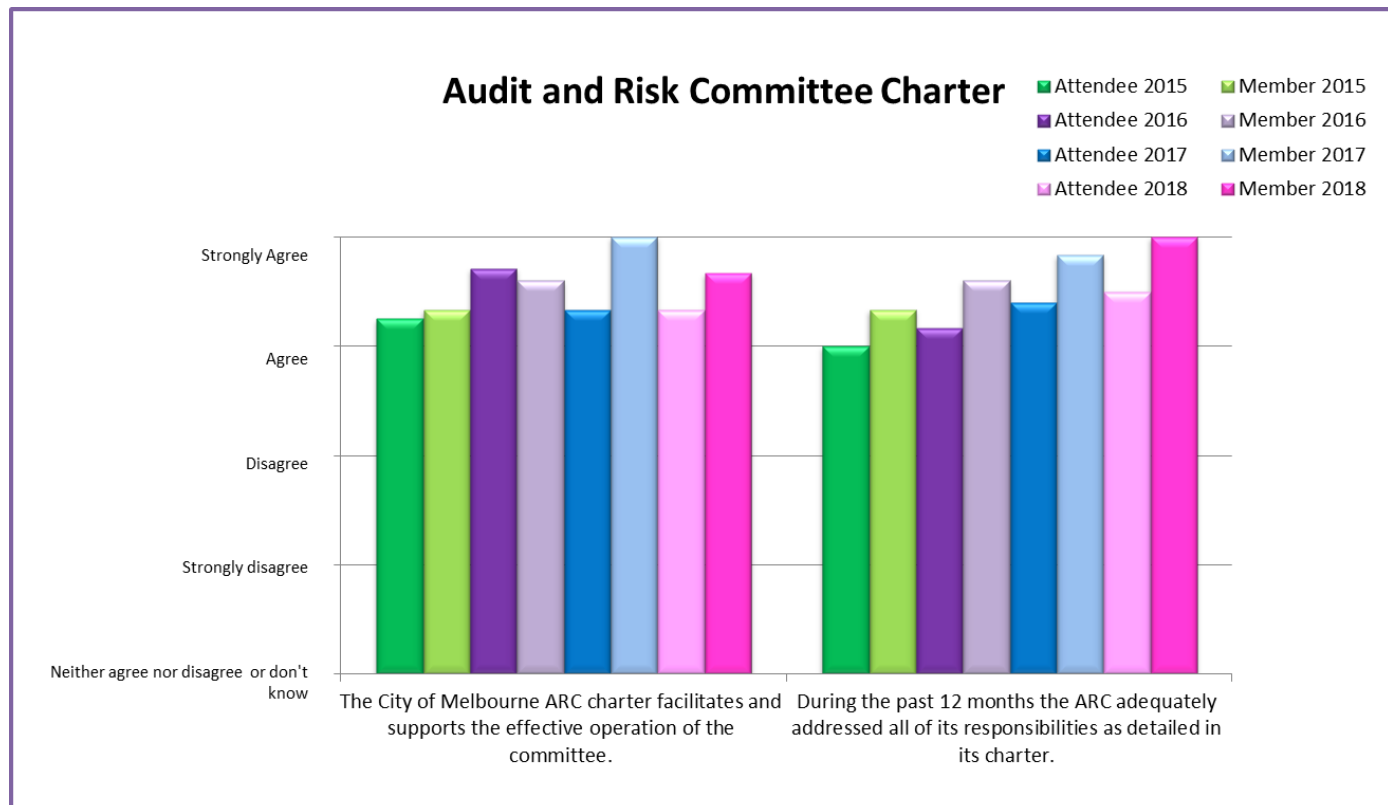
### Audit and Risk Committee Charter

Statement 1: The City of Melbourne Audit and Risk Committee charter facilitates and supports the effective operation of the committee.

Response: 2015 Member 3.33 Attendee 3.25. 2016 Member 3.60 Attendee 3.71. 2017 Member 4.00 Attendee 3.33. 2018 Member 3.67 Attendee 3.33.

Statement 2: During the past 12 months the Audit and Risk Committee adequately addressed all of its responsibilities as detailed in its charter.

Response: 2014/2015 Member 3.33 Attendee 3.00. 2016 Member 3.60 Attendee 3.17. 2017 Member 3.83 Attendee 3.40. 2018 Member 4.00 Attendee 3.50.



## Audit and Risk Committee skills and experience

Statement 1: The mix of skills on the Audit and Risk Committee allows it to effectively perform its assigned responsibilities.

Response: 2015 Member 3.20 Attendee 3. 2016 Member 3.20 Attendee 3.17. 2017 Member 3.67 Attendee 3.00. 2018 Member 3.50 Attendee 3.50.

Statement 2: The Audit and Risk Committee has been able to analyse and critically evaluate information presented to it by management.

Response: 2015 Member 3.20 Attendee 3.25. 2016 Member 3.40 Attendee 3.33. 2017 Member 3.67 Attendee 3.06. 2018 Member 3.50 Attendee 3.33.

Statement 3: The Audit and Risk Committee's overall financial literacy is adequate in the light of its responsibilities.

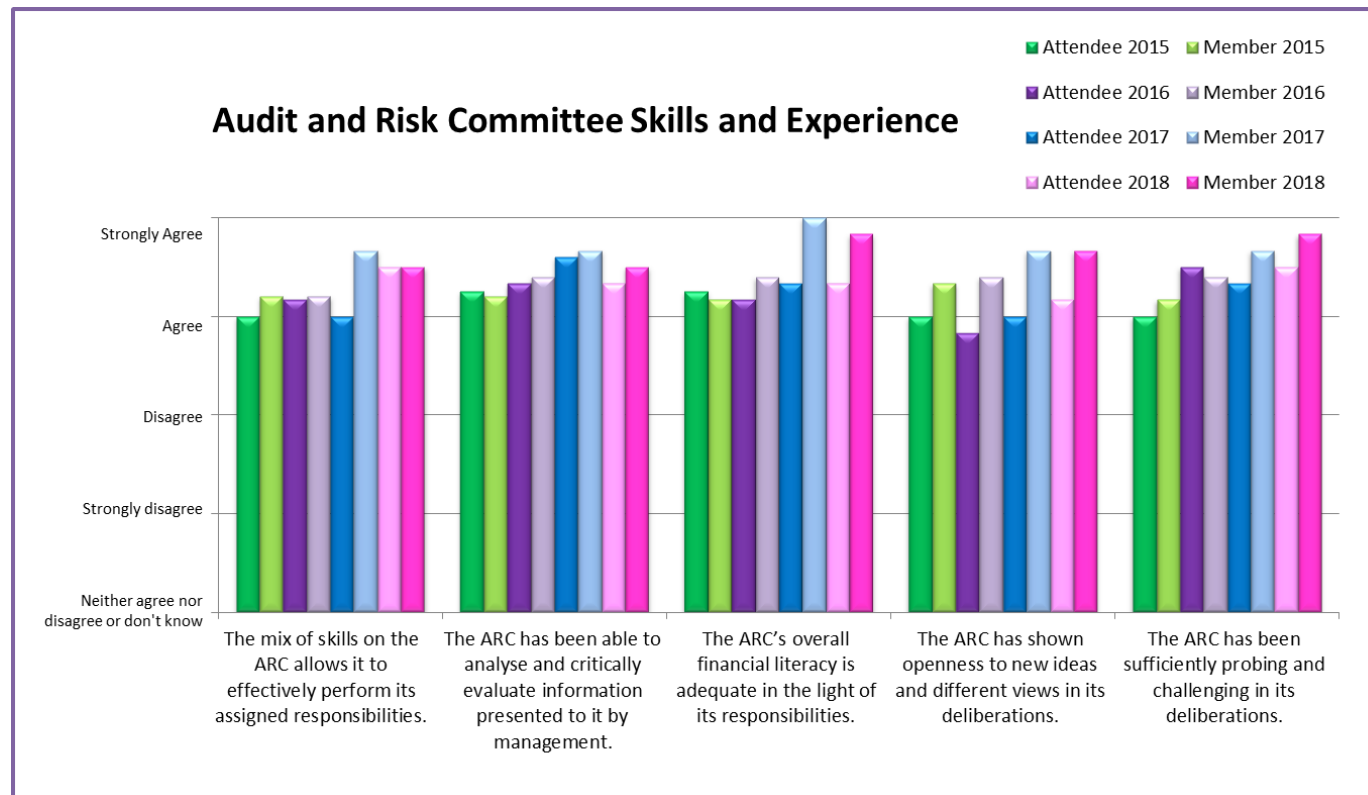
Response: 2015 Member 3.17 Attendee 3.25. 2016 Member 3.40 Attendee 3.17. 2017 Member 4.00 Attendee 3.33. 2018 Member 3.83 Attendee 3.33.

Statement 4: The Audit and Risk Committee has shown openness to new ideas and different views in its deliberations.

Response: 2015 Member 3.33 Attendee 3.00. 2016 Member 3.40 Attendee 2.83. 2017 Member 3.67 Attendee 3.00. 2018 Member 3.67 Attendee 3.17.

Statement 5: The Audit and Risk Committee has been sufficiently probing and challenging in its deliberations.

Response: 2015 Member 3.17 Attendee 3.00. 2016 Member 3.40 Attendee 3.50. 2017 Member 3.67 Attendee 3.33. 2018 Member 3.83 Attendee 3.50.



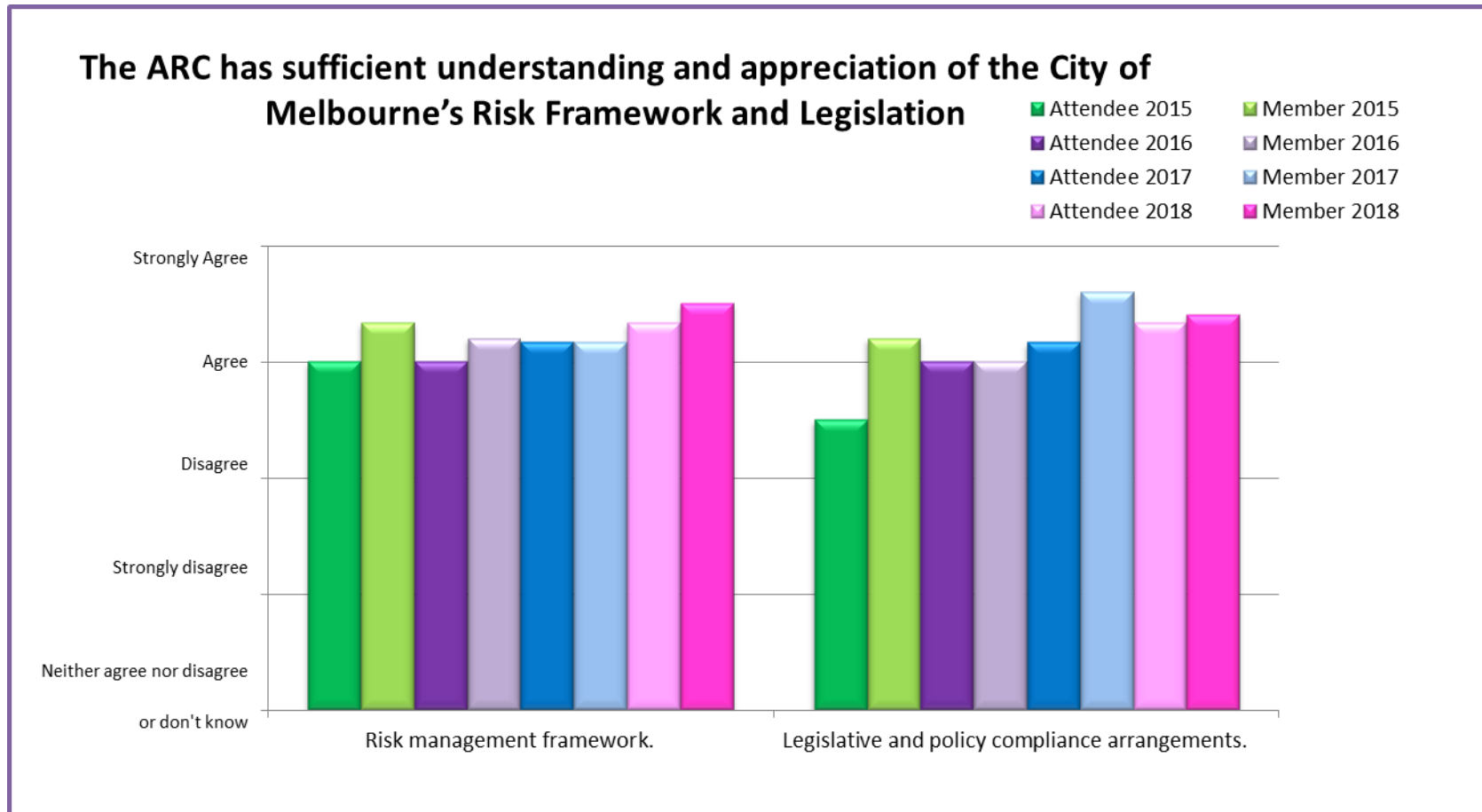
## Understanding the entity

Statement 1: The Audit and Risk Committee has sufficient understanding and appreciation of the City of Melbourne's: Risk management framework.

Response: 2015 Member 3.33 Attendee 3.00. 2016 Member 3.20 Attendee 3.00. 2017 Member 3.17 Attendee 3.17. 2018 Member 3.50 Attendee 3.33.

Statement 2: The Audit and Risk Committee has sufficient understanding and appreciation of the City of Melbourne's: Legislative and policy compliance arrangements.

Response: 2015 Member 3.20 Attendee 2.50. 2016 Member 3.00 Attendee 3.00. 2017 Member 3.60 Attendee 3.17. 2018 Member 3.40 Attendee 3.33.



## Audit and Risk Committee meeting administration and conduct

Statement 1: The Audit and Risk Committee has the appropriate number of meetings to properly discharge its duties.

Response: 2015 Member 3.17 Attendee 3.00. 2016 Member 3.40 Attendee 3.33. 2017 Member 3.67 Attendee 3.33. 2018 Member 3.83 Attendee 3.50.

Statement 2: The meeting agenda is structured to allow sufficient time to discuss the most complex and critical issues.

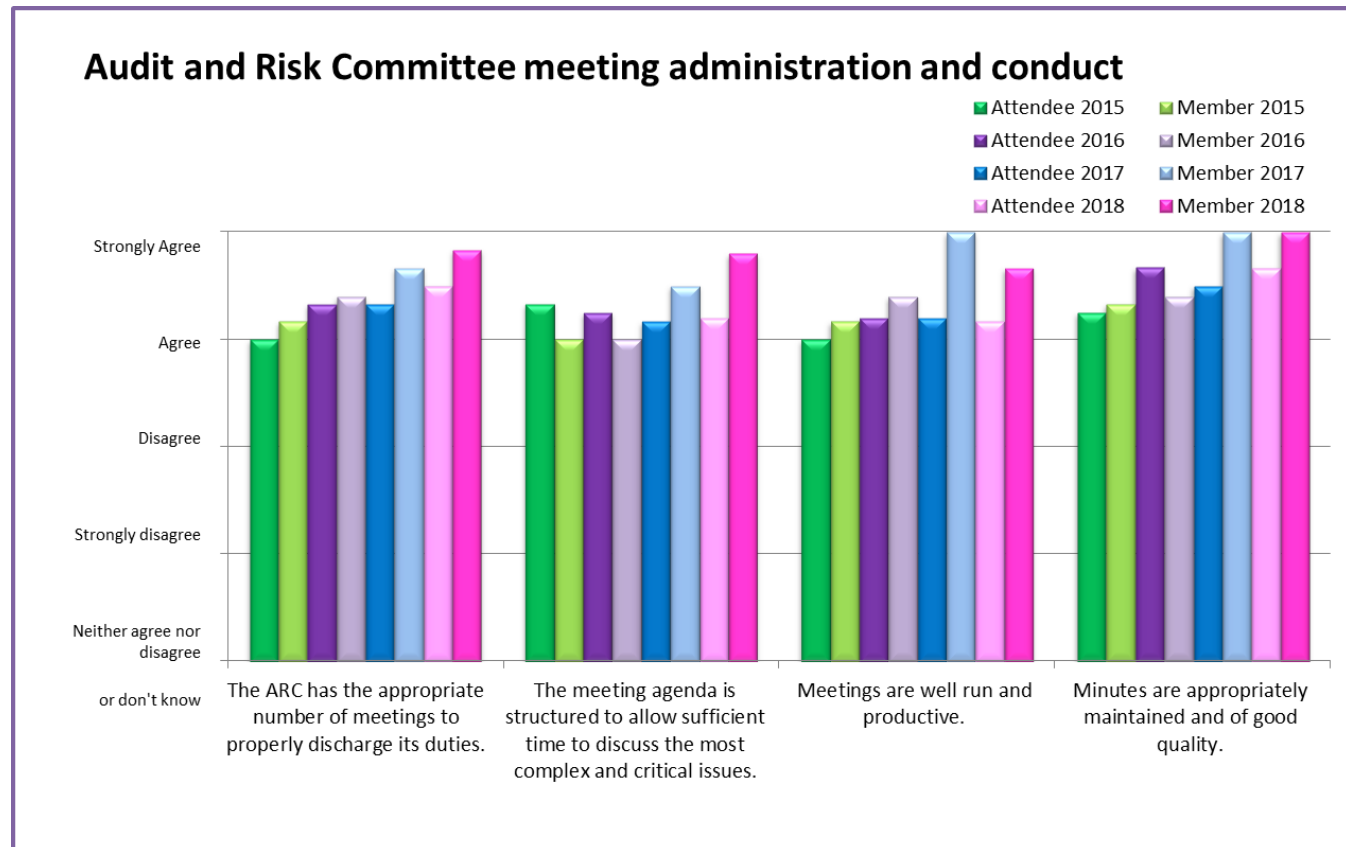
Response: 2015 Member 3.00 Attendee 3.33. 2016 Member 3.00 Attendee 3.25. 2017 Member 3.50 Attendee 3.17. 2018 Member 3.80 Attendee 3.20.

Statement 3: Meetings are well run and productive.

Response: 2015 Member 3.17 Attendee 3.00. 2016 Member 3.40 Attendee 3.20. 2017 Member 4.00 Attendee 3.20. 2018 Member 3.67 Attendee 3.17.

Statement 4: Minutes are appropriately maintained and of good quality.

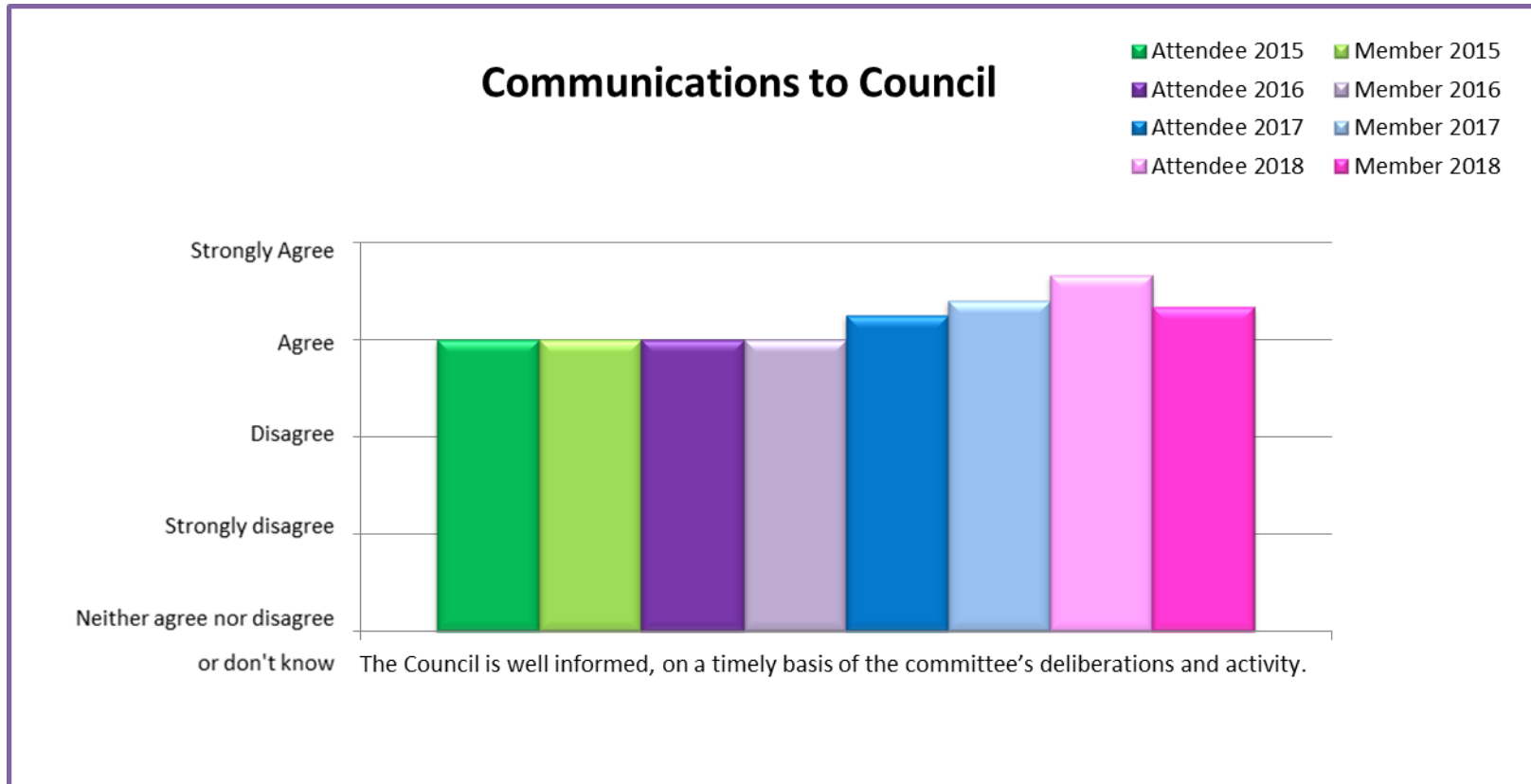
Response 4: 2015 Member 3.33 Attendee 3.25. 2016 Member 3.40 Attendee 3.67. 2017 Member 4.00 Attendee 3.50. 2018 Member 4.00 Attendee 3.67.



## Communications to Council

Statement 1: The Council is well informed, on a timely basis of the committee's deliberations and activity.

Response: 2015 Member 3.00 Attendee 3.00. 2016 Member 3.00 Attendee 3.00. 2017 Member 3.40 Attendee 3.25. 2018 Member 3.33 Attendee 3.67



## Management input

Statement 1: Information presented by management meets the Audit and Risk Committee's expectations in respect of: The internal control framework designed by management to identify and mitigate existing and emerging risks, including fraud risks.

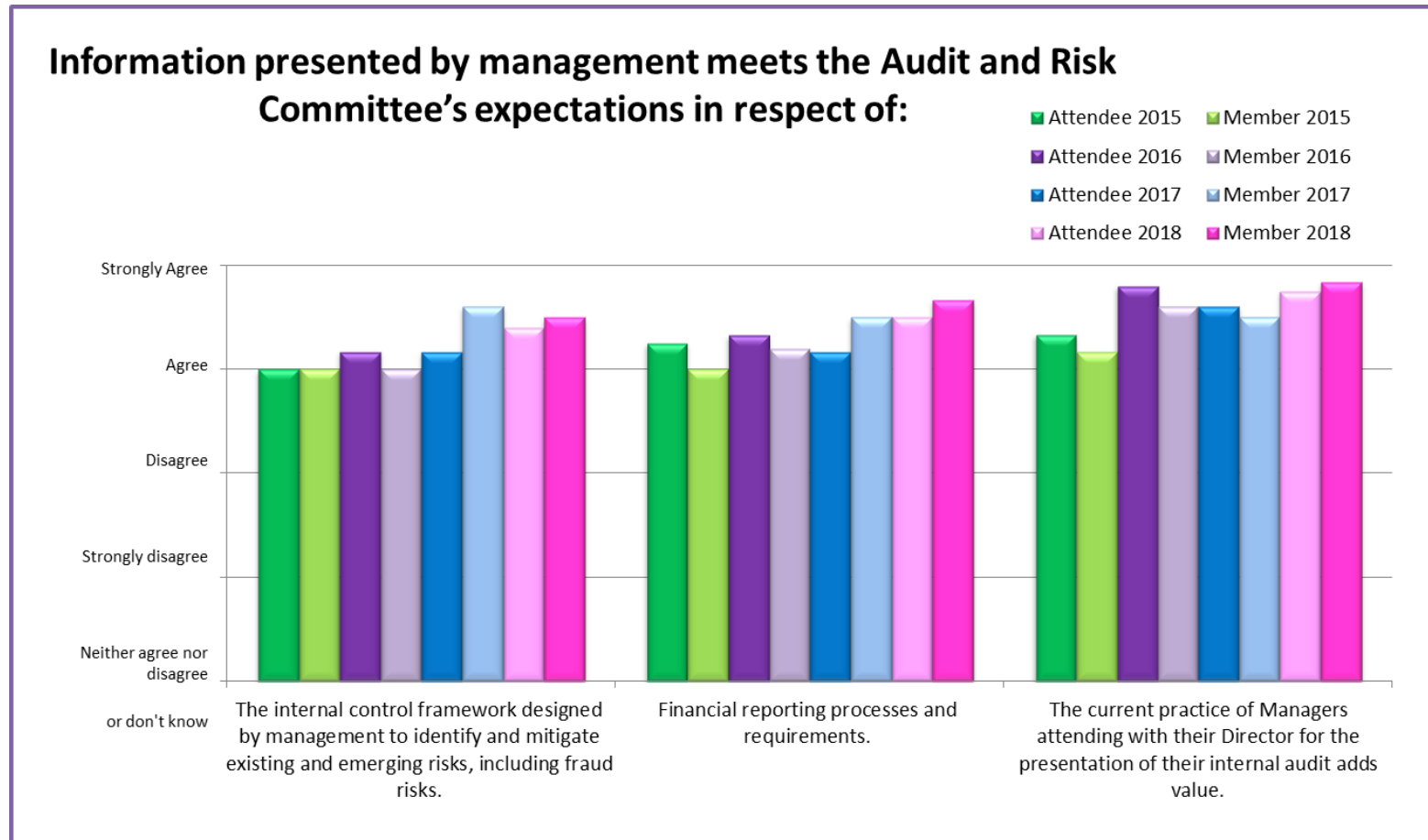
Response: 2015 Member 3.00 Attendee 3.00. 2016 Member 3.00 Attendee 3.17. 2017 Member 3.60 Attendee 3.17. 2018 Member 3.50 Attendee 3.40

Statement 2: Information presented by management meets the Audit and Risk Committee's expectations in respect of: Financial reporting processes and requirements.

Response: 2015 Member 3.00 Attendee 3.25. 2016 Member 3.20 Attendee 3.33. 2017 Member 3.50 Attendee 3.17. 2018 Member 3.67 Attendee 3.50

Statement 3: Information presented by management meets the Audit and Risk Committee's expectations in respect of: The current practice of Managers attending with their Director for the presentation of their internal audit adds value.

Response: 2015 Member 3.17 Attendee 3.33. 2016 Member 3.60 Attendee 3.80. 2017 Member 3.50 Attendee 3.60. 2018 Member 3.83 Attendee 3.75



## **Internal Audit**

Statement 1: The Audit and Risk Committee appropriately reviews and approves the internal audit plan including any significant changes.

Response: 2015 Member 3.00 Attendee 3.50. 2016 Member 3.25 Attendee 3.17. 2017 Member 3.83 Attendee 3.50. 2018 Member 3.83 Attendee 3.17.

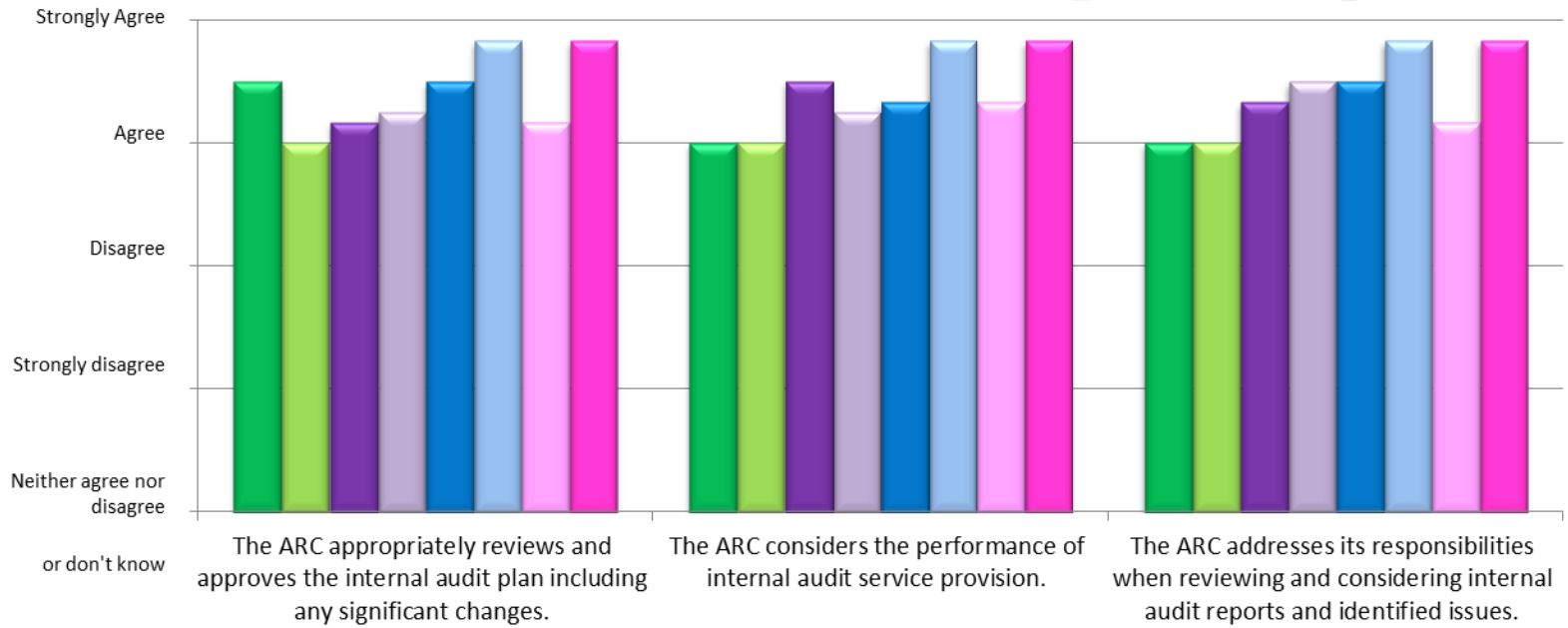
Statement 2: The Audit and Risk Committee considers the performance of internal audit service provision.

Response: 2015 Member 3.00 Attendee 3.00. 2016 Member 3.25 Attendee 3.50. 2017 Member 3.83 Attendee 3.33. 2018 Member 3.83 Attendee 3.83.

Statement 3: The Audit and Risk Committee addresses its responsibilities when reviewing and considering internal audit reports and identified issues.

Response: 2015 Member 3.00 Attendee 3.00. 2016 Member 3.50 Attendee 3.33. 2017 Member 3.83 Attendee 3.50. 2018 Member 3.83 Attendee 3.17.

## Internal Audit





## External Audit

Statement 1: The Audit and Risk Committee appropriately considers and understands the external audit plan.

Response: 2015 Member 3.00 Attendee 3.00. 2016 Member 3.20 Attendee 3.33. 2017 Member 3.83 Attendee 3.33. 2018 Member 3.67 Attendee 3.33.

Statement 2: The Audit and Risk Committee reviews external audit reports and management letters and considers management responses to findings and recommendations.

Response: 2015 Member 3.00 Attendee 3.00. 2016 Member 3.20 Attendee 3.33. 2017 Member 3.83 Attendee 3.33. 2018 Member 3.83 Attendee 3.50.

Statement 3: The Audit and Risk Committee provides input and feedback on external audit coverage and performance.

Response: 2015 Member 3.00 Attendee 3.00. 2016 Member 3.25 Attendee 3.40. 2017 Member 3.67 Attendee 3.33. 2018 Member 3.67 Attendee 3.33.

