



# City of Melbourne Audit and Risk Committee

Performance Report 2018-19

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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 2018 to 30 June 2019 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, 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
- monitor changes in Council's business risk profile and obtain explanations for any significant changes therein
- review the structural governance changes Council made to Queen Victoria Market and consider the impact of those changes on Council's risk profile
- engage with the Audit and Risk Committees of Council's wholly owned subsidiary companies, namely Citywide Services Pty Ltd and Queen Victoria Market to monitor the outcomes of audit activity and changes in the risk profiles of their businesses

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 Geoff Harry, 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, confirming 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 three independent members and two Council representatives. Previously there had been four independent members and three Council representatives but following the previous year's charter review it was decided to return to two Council representatives and three Independent members and this was commenced from 1 July 2018.

The reduction in the number of members has not resulted in any limitations on the Committee's activities.

The membership of the Committee during 2018-19 is set out below:

### 2.1 Council representatives

Deputy Lord Mayor Arron Wood	July 2018 to June 2019
Cr Philip Le Liu	July 2018 to June 2019

### 2.2 Independent members

Mr Geoff Harry (Chairman)	July 2018 to June 2019
Ms Therese Ryan	July 2018 to June 2019
Mr Stuart Hall	July 2018 to June 2019

## 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. The table shows that independent member Ms Therese Ryan did not attend the special meeting on 24 August 2018. Her absence at that meeting resulted from a scheduling clash with other commitments and occurred in the previous two years also. The Committee has subsequently changed the scheduling of this meeting for August 2019 to enable Ms Ryan to attend.

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. The Committee was pleased to see a change in the team members of the VAGO team as it has enhanced the value of the VAGO contributions due the infusion of new ideas and a fresh approach.

In addition to the two 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	3/08/18 Quarterly	24/08/18 Special	16/11/18 Quarterly	15/02/19 Quarterly	3/05/19 Quarterly
Geoff Harry	Chair	Attended	Attended	Attended	Attended	Attended
Therese Ryan	Member	Attended	Did not attend	Attended	Attended	Attended
Stuart Hall	Member	Attended	Attended	Attended	Attended	Attended

Attendee	Role	3/08/18 Quarterly	24/08/18 Special	16/11/18 Quarterly	15/02/19 Quarterly	3/05/19 Quarterly
Deputy Lord Mayor Arron Wood	Council Representative	Attended	Attended	Attended	Attended	Attended
Cr Philip Le Liu	Council Representative	Attended	Attended	Attended	Attended	Attended

## 4. Internal audit

### 4.1 Internal audit contract

After a competitive tendering process undertaken during 2017-2018 the successful tenderers Oakton Services Pty Ltd commenced its second consecutive contract with the City on 1 July 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.

The Committee noted that the leader of the Oakton team has resigned from her role with Oakton and was absent from the last two Committee meetings as a result. The Committee will monitor this change with a view to ensuring it does not have a detrimental impact on the quality of service provided by Oakton.

### 4.2 Internal audit reports program 2018-19

The 2018-2021 Internal Audit plan was presented to the Committee in August 2018. 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 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 ten 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 recommendations by risk level and the total number of recommendations for each report.

**Table 2 – 2018-19 Internal audits with overall audit and recommendation ratings**

Audit Name	Meeting	Overall Rating	High Risk	Medium Risk	Low Risk	Total Actions
Asset Management	August 2018	Satisfactory		4	4	8
Follow up of Internal Audit Recommendations	August 2018	Effective				0
Payroll and leave Management	November 2018	Requiring Improvement		3	4	7
BC and IT DRP	November 2018	Requiring Improvement		4		4

Land and Building Contamination incl Asbestos	November 2018	Satisfactory			5	5
Building Legislative Compliance Review	February 2019	Unsatisfactory	11		6	17
Animal Management	February 2019	Satisfactory			2	2
Data Management and Privacy	May 2019	Requiring Improvement		4		4
Leisure Centre Management	May 2019	Effective				0
Data Analytics	May 2019	Satisfactory			5	5
Total			11	15	26	52

When an Internal Audit has an unsatisfactory overall rating the Committee request follow up often in the form of further reports from the auditee regarding the progress of the actions that have been agreed to. This is in addition to the regular follow up and reporting of the progress of all actions recommended by the Internal Auditor.

The Committee reviewed and approved Terms of References for the Contract Management – Leisure Centres and Rates and Valuations 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 face to face discussion at each quarterly meeting. In addition, the Committee enquired of managers responsible for the business areas in which the audits were conducted to seek their views on the value of the work undertaken. The 2018-2019 Contract Performance report on the performance of Oakton will be presented to the Committee at the first meeting of the 2019-2020 financial year.

#### 4.5 Implementation of audit recommendations

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

A summary of progress on implementation 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 table below summarises the status of actions for the year. Twenty-nine recommendations were open as at 30 June 2019. This reflects the ongoing commitment of the organisation to address audit recommendations in a timely and responsible manner.

**Table 3 – Summary of Status of Actions**

	Total
Open Actions at 1 July 2018	14
Add New Actions Reported during the year	52
Less Actions completed during the year	37
Open Actions at 30 June 2019	29

**Table 4 - Breakdown of open actions at 30 June 2019 by risk level**

Audit Name	High Risk	Medium Risk	Low Risk	Total Actions
Facilities Management			2	2
Disposal of Assets		1		1
Asset management		3	4	7
Payroll and leave Management		1		1

BC and IT DRP		2		2
Land and Building Contamination incl Asbestos			1	1
Building Legislative Compliance Review	10			10
Animal Management			1	1
Data Management and Privacy		3		3
Data Analytics			1	1
	10	10	9	29

## 4.6 Internal Audit Charter

In response a review the findings of the VAGO Internal Audit Performance across the Local Government industry the Committee oversaw the development of an Internal Audit Charter. This will be used to provide robust foundations for an effective internal audit function and to communicate the purpose, role and authority of the function to the rest of the organisation.

## 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, was the VAGO officer responsible for the external audit of the City and its subsidiary companies for the first half of the period under review. From the start of 2019 Jonathan Kyvelidis, Director Financial Reporting Advisory took over this role. 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.

The status of External Audit recommendations was reported to the Committee on a quarterly basis and details of any outstanding recommendations provided.

## 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 2018 was held on 24 August 2018. 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 audit 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 model 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 2019. After a thorough review it was decided that no changes were required.

## **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 2018; May 2019)
- Insurance renewal report (August 2018)
- Queen Victoria Market precinct renewal report (August 2018; November 2018; February 2019; May 2019)
- Gifts, hospitality and conflicts of interest (February 2018)
- Operational risk report (November 2018)
- Auditor independence (February 2019)
- Emergency preparedness – evacuation, response and business continuity (August 2018; February 2019)
- 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 with the best practice model of the Australian National Audit Office. In June 2019, the self-assessment survey was undertaken for the fifth 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, 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. This year the survey was sent out to the five Committee members and seven other attendees. Ten responses were received.

'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 for 2018-2019 was 92% (2013-2014 82%; 2014-2015 77%, 2015-2016 82%, 2016-2017 88%, and 2017-2018 89%). 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 a separate report and will be considered as opportunities for improvement by the Committee.

## **9. Overall assessment of City'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 view of the Committee that the governance culture of the City supports a robust risk, control and compliance framework which continues to strengthen and adapt to changes in the City of Melbourne's operations.

## **10. Audit and Risk Committee Chair 2018-2019**

I would like to thank Councillors, fellow independent members and Council staff for their contribution and support during the 2018-2019 financial year. Where our workload has been challenging, I have appreciated the willingness of all members to make time outside Committee meetings to deal with Committee business.

Geoff Harry  
Audit and Risk Committee Chair  
City of Melbourne  
30 June 2019

# **Appendix 1: Committee responsibilities and related activities undertaken**

## **7.1 Risk Management**

### **Responsibilities**

- 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**

During 2018–19 the following papers were presented to the Audit and Risk Committee:

- Strategic Risk report (November 2018);
- Operational Risk report (November 2018);
- Significant Risk report - Amalgamating Strategic and higher level operational risks (May 2019)
- Fraud, Corruption & Protected disclosure issues were considered if required (All meetings)
- Queen Victoria Market and Citywide Services risk reports (All meetings)
- Management of risks in relation to the redevelopment of QVM (All meetings)

All internal audit reviews undertaken are scoped only after taking into account strategic and operational risks related to each review area.

## **7.2 Business continuity**

### **Responsibilities**

- 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**

The Committee received a report on emergency preparedness, Exercise Contagion, which was undertaken in June 2018 (Report to August 2018 meeting). In addition the Committee considered the results of a review of emergency processes following the 9 November 2018 Bourke Street terror incident.

## **7.3 Internal control**

### **Responsibilities**

- 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**

All Internal Audits undertaken and reported to the Committee during this period covered issues on internal control and considered compliance with policies and procedures. Matters reported each quarter in the CEO Report related to ongoing key internal controls such as adherence to the Annual Plan and OHS reporting.

## **7.4 Compliance**

### **Responsibilities**

- 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**

A number of the Internal Audits undertaken during 2018-19 covered issues of compliance with legislation and regulations including Payroll and Leave Management, Land and Building Contamination incl Asbestos, Building Legislative Compliance Review and Animal Management.

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**

### **Responsibilities**

- 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**

Oakton continued to provide internal audit services throughout 2018-19. The internal auditor provided its statement of independence to the February 2019 meeting. Considerable work was undertaken reviewing and improving the Internal Audit plan throughout the year. The Committee met with Oakton in the absence of management quarterly. Audit reports were provided to each meeting of the Committee throughout the year. The status of the implementation of internal audit recommendations was presented to each Committee meeting. During the period under review the process undertaken by management to monitor the implementation of audit recommendations was audited by Oakton and found to be effective.

## **7.6 External audit**

### **Responsibilities**

- 7.6.1 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**

Victorian Auditor General's Office continued to be City's External Auditor for 2018-2019, and also for the subsidiary companies. The external auditor's Client Strategy for year ending 30 June 2019 was presented to the Committee at the February 2019 meeting. The Committee considered the final management letter issued in August 2018 after the conclusion of the 2017/18 audit and also the Interim management letter (for the audit for 2018/19) at the Committee in May 2019. The Committee met with the external auditors in the absence management at each meeting.

## **7.7 Subsidiary Companies**

### **Responsibilities**

- 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.
- 7.7.1 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.
- 7.7.1 The Chair of the Committee will meet with the Chairs of the subsidiary Committees at least annually for exchange of information and ideas.
- 7.7.1 Note and consider the External Auditor's annual management letter.
- 7.7.1 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**

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 Committee met with the Chairs of the subsidiary Committees during the period under review.

## **7.8 Financial report**

### **Responsibilities**

- 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**

At its special meeting in August 2018 the Committee examined in detail the Financial Statements of the City of Melbourne and its subsidiaries and the consolidated Financial Statements for the group. The adoption of the 2017-18 consolidated financial statements was recommended to Council by the Committee following the completion of recommended amendments by the Committee and confirmation from the external auditor that the audits were completed. The external auditors attended all Committee meetings and reported on the progress of their financial audits as required.

## **7.9 Reporting responsibilities**

### **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**

The minutes of all meetings were presented to the next meeting of Council after each Committee meeting. 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 2017-2018 was forwarded to Council in August 2018.

## **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**

Council ratified the appointment of the Committee Chair for 2018-2019 in May 2018.

The annual Committee performance report presented to Council in August 2018 confirmed that all responsibilities in the Charter had been carried out and included a self-assessment of the Committee's performance.

The Charter was reviewed by the Committee in February 2018 and no changes were considered necessary.

## **7.11 Transparency measures adopted**

### **Responsibilities**

- 7.11.1 The Annual Committee Performance Report is to be presented to Council 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**

The 2017-2018 Annual Committee Performance report was presented to Council in August 2018 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 to Councillor Forum in December 2018, and included reference to the 2018-2021 Internal Audit Plan.





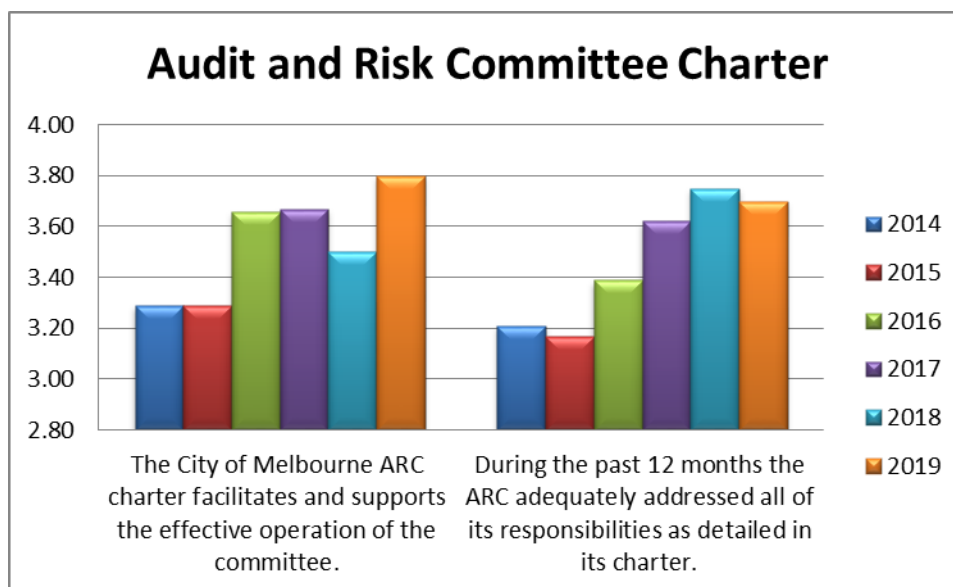
## Appendix 2: Self-assessment survey results

*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: 2014 3.29; 2015 3.29; 2016 3.66; 2017 3.67; 2018 3.50; 2019 3.80.

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 3.21; 2015 3.17; 2016 3.39; 2017 3.62; 2018 3.75; 2019 3.70.



### 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: 2014 3.33; 2015 3.10; 2016 3.19; 2017 3.33; 2018 3.50; 2019 3.70.

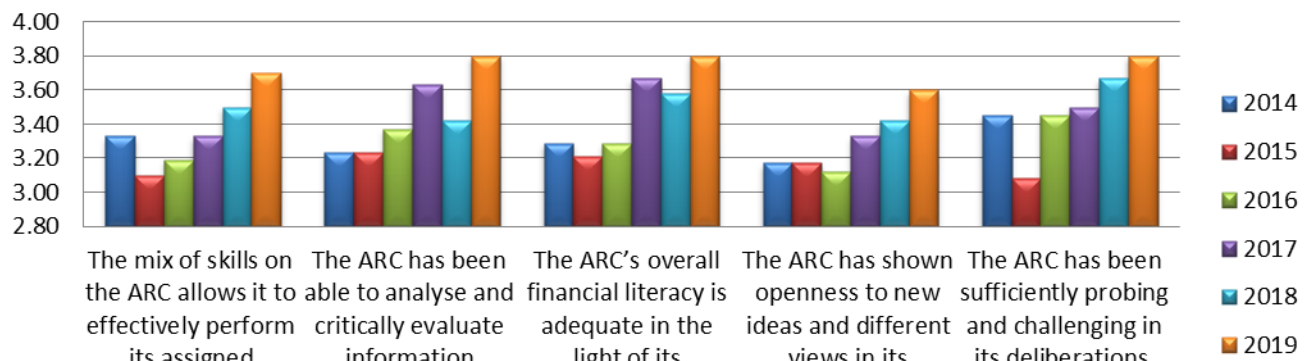
Statement 2: The Audit and Risk Committee has been able to analyse and critically evaluate information presented to it by management. Response: 2014 3.23; 2015 3.23; 2016 3.37; 2017 3.63; 2018 3.42; 2019 3.80.

Statement 3: The Audit and Risk Committee's overall financial literacy is adequate in the light of its responsibilities. Response: 2014 3.29; 2015 3.21; 2016 3.29; 2017 3.67; 2018 3.58; 2019 3.80.

Statement 4: The Audit and Risk Committee has shown openness to new ideas and different views in its deliberations. Response: 2014 3.17; 2015 3.17; 2016 3.12; 2017 3.33; 2018 3.42; 2019 3.60

Statement 5: The Audit and Risk Committee has been sufficiently probing and challenging in its deliberations. Response: 2014 3.45; 2015 3.08; 2016 3.45; 2017 3.50; 2018 3.67; 2019 3.80.

## Audit and Risk Committee skills and experience



The mix of skills on the ARC allows it to effectively perform its assigned responsibilities.

The ARC has been able to analyse and critically evaluate information presented to it by management.

The ARC's overall financial literacy is adequate in the light of its responsibilities.

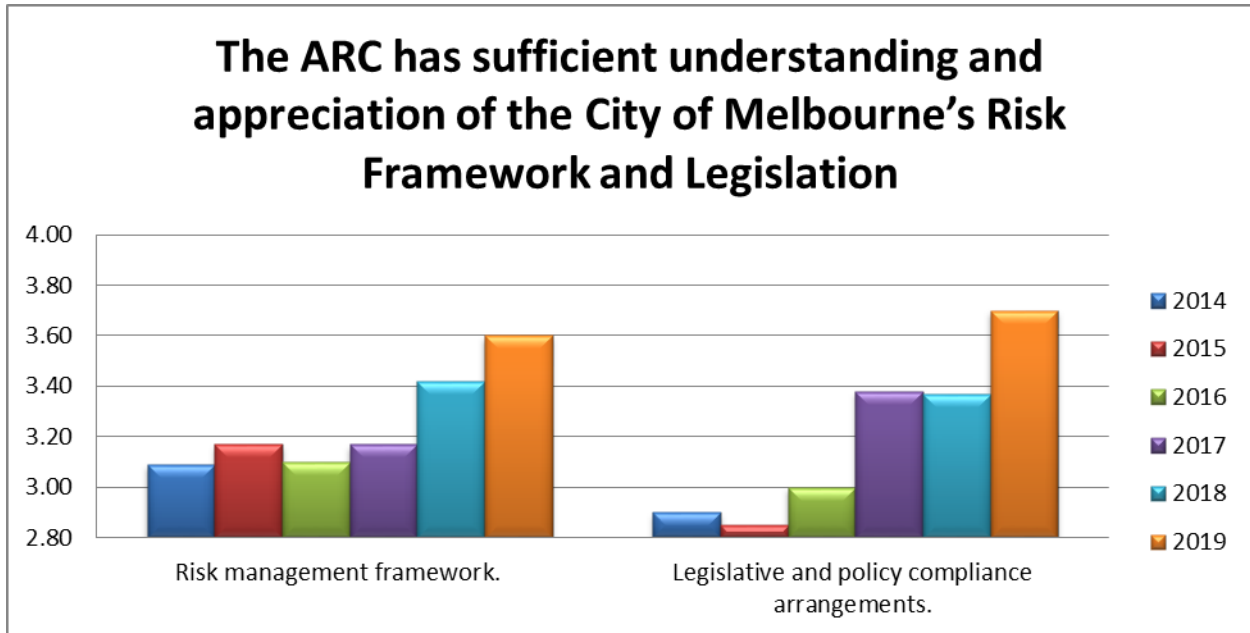
The ARC has shown openness to new ideas and different views in its deliberations.

The ARC has been sufficiently probing and challenging in its deliberations.

## 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: 2014 3.09; 2015 3.17; 2016 3.10; 2017 3.17; 2018 3.42; 2019 3.60.

Statement 2: The Audit and Risk Committee has sufficient understanding and appreciation of the City of Melbourne's: Legislative and policy compliance arrangements. Response: 2014 2.90; 2015 2.85; 2016 3.00; 2017 3.38; 2018 3.37; 2019 3.70.



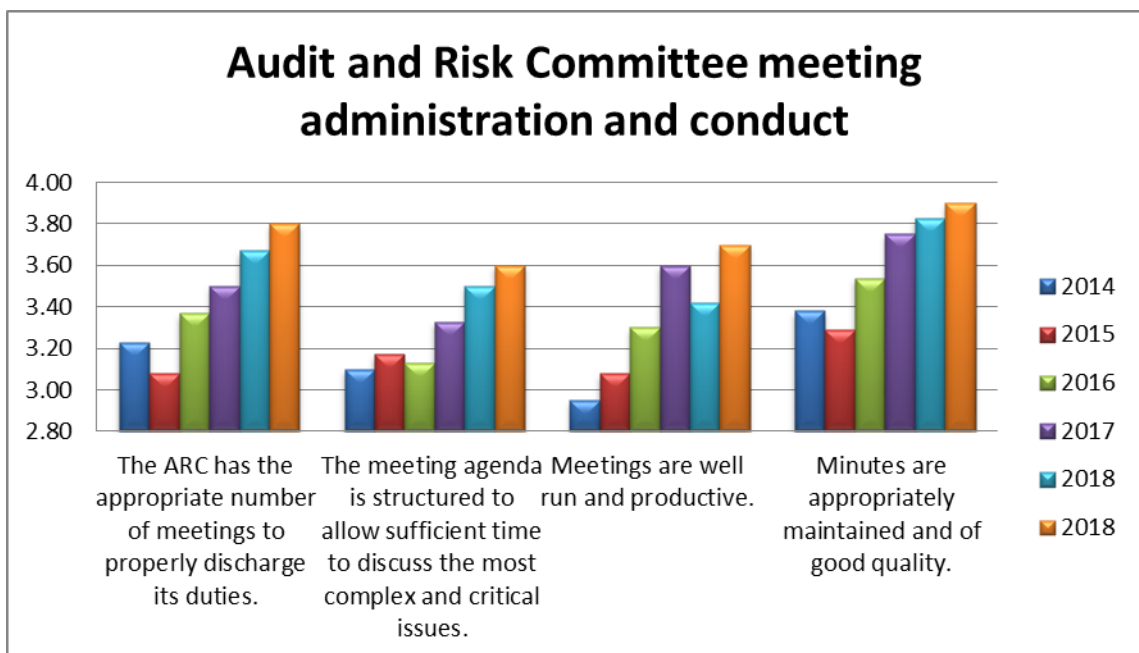
## Audit and Risk Committee meeting administration and conduct

Statement 1: The Audit and Risk Committee has the appropriate number of meetings to properly discharge its duties. Response: 2014 3.23; 2015 3.08; 2016 3.37; 2017 3.50; 2018 3.67; 2019 3.80.

Statement 2: The meeting agenda is structured to allow sufficient time to discuss the most complex and critical issues. Response: 2014 3.10; 2015 3.17; 2016 3.13; 2017 3.33; 2018 3.50; 2019 3.60.

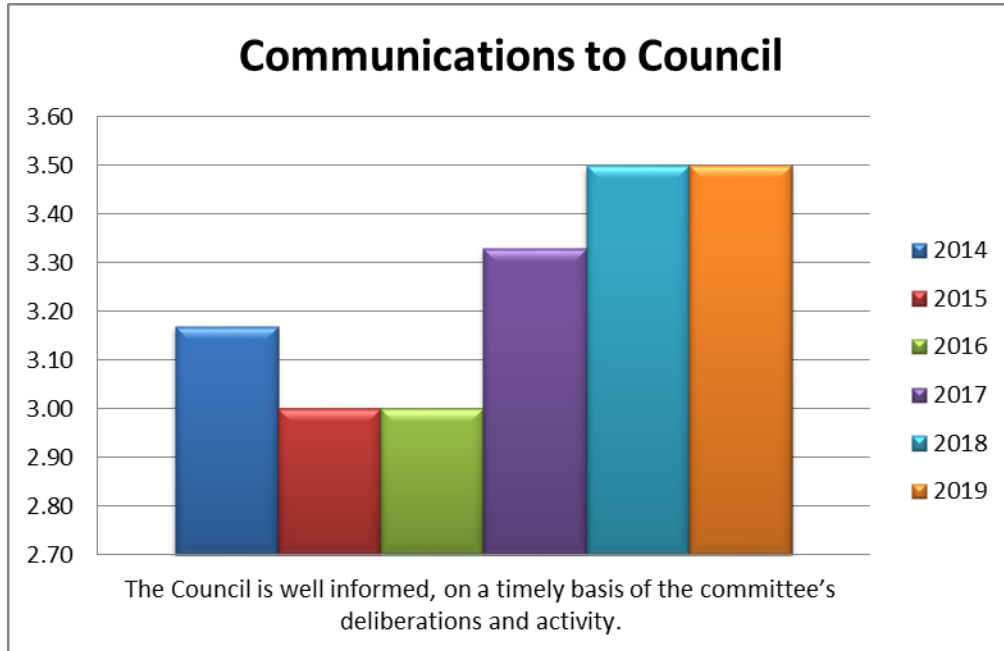
Statement 3: Meetings are well run and productive. Response: 2014 2.95; 2015 3.08; 2016 3.30; 2017 3.60; 2018 3.42; 2019 3.70.

Statement 4: Minutes are appropriately maintained and of good quality. Response: 2014 3.38; 2015 3.29; 2016 3.54; 2017 3.75; 2018 3.83; 2019 3.90.



## Communications to Council

Statement 1: The Council is well informed, on a timely basis of the committee's deliberations and activity. Response: 2014 3.17; 2015 3.00; 2016 3.00; 2017 3.33; 2018 3.50; 2019 3.50

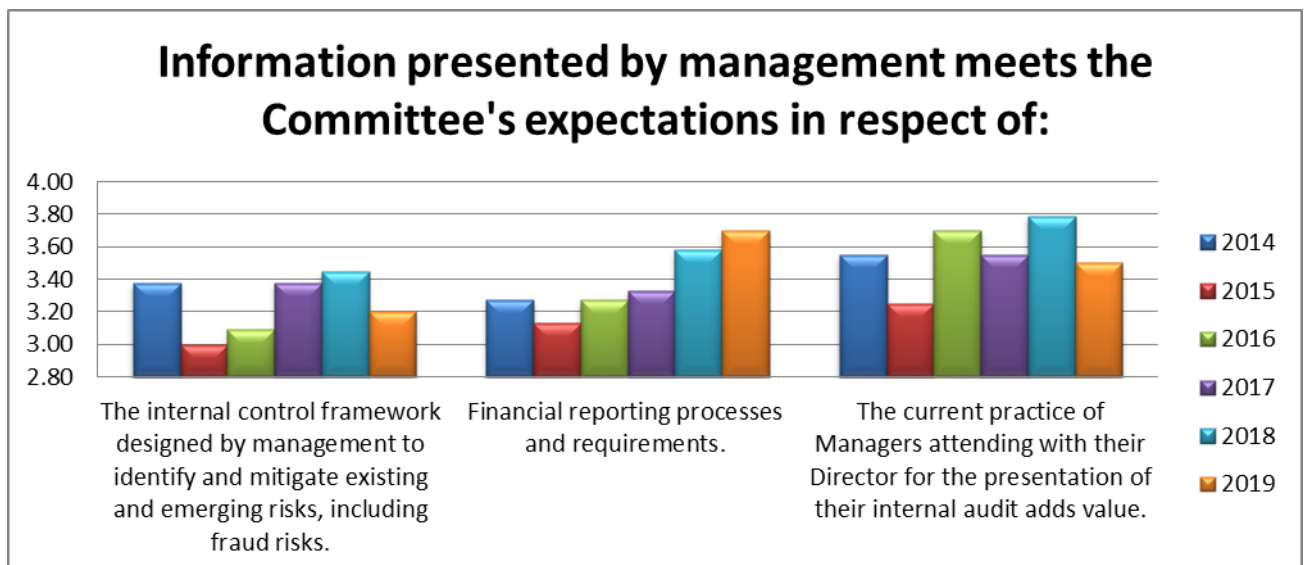


## Management input

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: 2014 3.38; 2015 3.00; 2016 3.09; 2017 3.38; 2018 3.45; 2019 3.20.

Statement 2: Information presented by management meets the Audit and Risk Committee's expectations in respect of: Financial reporting processes and requirements. Response: 2014 3.27; 2015 3.13; 2016 3.27; 2017 3.33; 2018 3.58; 2019 3.70.

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: 2014 3.55; 2015 3.25; 2016 3.70; 2017 3.55; 2018 3.79; 2019 3.50.

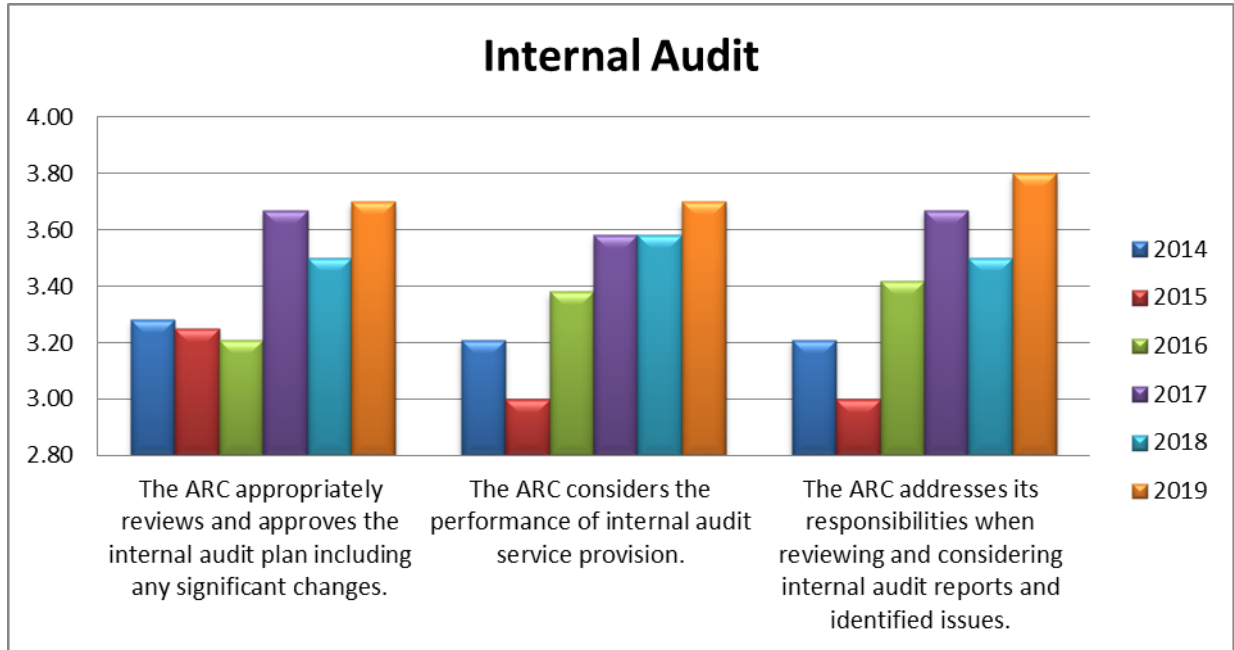


## Internal Audit

Statement 1: The Audit and Risk Committee appropriately reviews and approves the internal audit plan including any significant changes. Response: 2014 3.28; 2015 3.25; 2016 3.21; 2017 3.67; 2018 3.50; 2019 3.70.

Statement 2: The Audit and Risk Committee considers the performance of internal audit service provision. Response: 2014 3.21; 2015 3.00; 2016 3.38; 2017 3.58; 2018 3.58; 2019 3.70

Statement 3: The Audit and Risk Committee addresses its responsibilities when reviewing and considering internal audit reports and identified issues. Response: 2014 3.21; 2015 3.00; 2016 3.42; 2017 3.67; 2018 3.50; 2019 3.80.

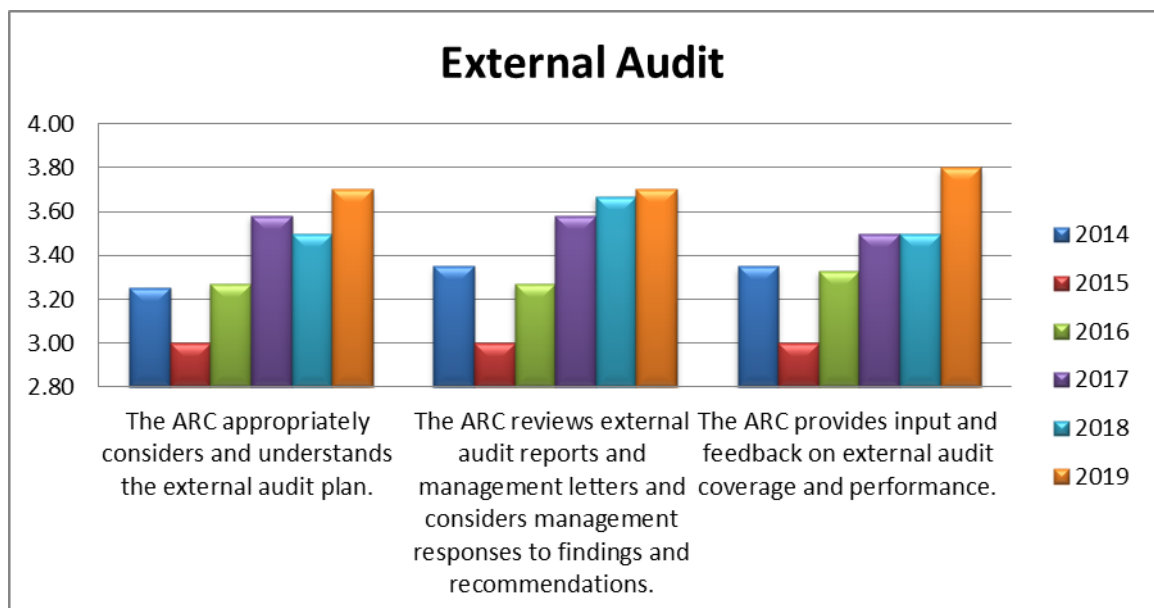


## External Audit

Statement 1: The Audit and Risk Committee appropriately considers and understands the external audit plan. Response: 2014 3.25; 2015 3.00; 2016 3.27; 2017 3.58; 2018 3.50; 2019 3.70.

Statement 2: The Audit and Risk Committee reviews external audit reports and management letters and considers management responses to findings and recommendations. Response: 2014 3.35; 2015 3.00; 2016 3.27; 2017 3.58; 2018 3.67; 2019 3.70.

Statement 3: The Audit and Risk Committee provides input and feedback on external audit coverage and performance. Response: 2014 3.35; 2015 3.00; 2016 3.33; 2017 3.50; 2018 3.50; 2019 3.80.



## Consideration of effectiveness

Statement 1: The Audit and Risk Committee has added value to the organisation.

Response: 2014 3.29; 2015 3.17; 2016 3.37; 2017 3.50; 2018 3.67; 2019 3.90.

