

## Management report to Council

Agenda item 6.4

### Referred Documents from the May 2020 Audit and Risk Committee meeting

Council

**Presenter:** Keith Williamson, General Manager Governance and Organisational Development

**28 July 2020**

#### Purpose and background

1. The purpose of this report is to advise Council of the outcomes of the City of Melbourne Audit and Risk Committee (ARC) meeting held on 8 May 2020.
2. Forwarding the minutes from the City of Melbourne ARC to Council is a requirement under its Charter. In addition, the Audit and Risk Committee reviews all matters discussed at its quarterly meetings and determines which matters are of relevance for further consideration by Council. The City of Melbourne ARC Charter states:

*Item 5.3 - The Chair will be independent of Council and management and will be appointed by the Audit and Risk Committee, annually by election by all Committee members, and ratified by Council.*

#### Key issues

3. The ARC noted that the unconfirmed minutes of the May 2020 ARC meeting (refer Attachment 2) would be presented to Council.
4. In accordance with its Charter, the ARC held the annual election for the position of Chair for 2020–21 and elected Mr Geoff Harry, subject to ratification by Council.

#### Recommendation from management

5. That Council:
  - 5.1. Notes the minutes of the meetings of the City of Melbourne Audit and Risk Committee (ARC) held on 8 May 2020.
  - 5.2. Ratifies the election of Geoff Harry to the position of Chair of the ARC for 2020-21.

#### Attachments:

1. Supporting Attachment (Page 2 of 8)
2. Unconfirmed minutes of the meeting of the Audit and Risk Committee held on 8 May 2020 (Page 3 of 8)

## Supporting Attachment

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### Legal

1. No direct legal issues arise from the recommendation from management.
2. The Audit and Risk Committee is an advisory committee of Council established in accordance with section 139 of the *Local Government Act 1989* (Act).

### Finance

3. There are no direct financial implications to Council in the recommendation of this report.

### Conflict of interest

4. No member of Council staff, or other person engaged under a contract, involved in advising on or preparing this report has declared a direct or indirect interest in relation to the matter of the report.

### Health and Safety

5. In developing this proposal, no Health and Safety issues or opportunities have been identified.

### Relation to Council policy

6. Consistent with previously published Council goals, the maintenance of an Audit and Risk Committee will assist in the delivery of quality services that are responsive to business and community expectations, consistent with contemporary best practice, demonstrably cost effective and subject to public accountability.

### Environmental sustainability

7. There is no significant impact on environmental sustainability.

## UNCONFIRMED MINUTES

### MINUTES OF THE MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK COMMITTEE FRIDAY 8 MAY 2020

NB: Both the pre meeting and the main meeting were held remotely online via Zoom technology

#### PRESENT

##### Members

Geoff Harry (Chair)  
Therese Ryan  
Stuart Hall  
Cr Arron Wood  
Cr Philip Le Liu

##### City of Melbourne

Justin Hanney	Chief Executive Officer
Keith Williamson	General Manager Governance and Organisational Development
Michael Tenace	Chief Financial Officer
Liam Routledge	Director Finance and Investment
Marlo Emmitt	Director Governance
Dale Ashley	Coordinator Risk Management
Cecilia Digenis	Internal Audit Officer
Evan Counsel	Director Planning and Building
Steven Baxas	Municipal Building Surveyor
Linda Weatherson	General Manager Community and City Services
Michelle Fitzgerald	Director Technology and Digital Innovation
Jeff Anthoney	ICT Manager
Chris Lamont	General Manager Capital Projects and Infrastructure
Jenny Bailey	Director Infrastructure and Assets
Alan Wilson	Financial Controller
MaryAnn Adams	Performance Analyst
Jo Wandel	Director Major Capital Works

##### VAGO

Sanchu Chummar	Acting Sector Director, Local Government
Jung Yau	Manager Financial Audit

##### NTT - Internal Audit

David Fraser	Partner
William Cheung	Senior Manager

##### Apologies

Nil

**1. Opening of Meeting**

The meeting opened at 9.48am.

**2. Apologies**

There were no apologies.

**3. Declarations of Conflicts of Interest**

There were no declarations of conflicts of interest.

**4. Minutes and matters arising**

**4.1 Confirmation of minutes of meeting held on 14 February 2020**

The minutes of the meeting held on 14 February 2020 were confirmed with no amendments.

*Evan Counsel, Director Planning and Building and Steven Baxas, Municipal Building Surveyor joined the meeting at 9.53am.*

**4.2 Matters arising – Combustible cladding update**

The Chair acknowledged the comprehensive report and thanked the officers for their work. Discussion ensued around the Building Taskforce tool and Steven Baxas, Municipal Building Surveyor, explained how his team used the tool to suit the City's particular circumstances.

The Committee was advised that the risk will continue to be monitored and follow up actions to mitigate the risks will continue. An update on the response from the Victorian Building Authority and the progress of the inspection regime will be provided to the next meeting of the Committee.

The Audit and Risk Committee noted the report.

*Evan Counsel, Director Planning and Building and Steven Baxas, Municipal Building Surveyor left the meeting at 10.15am.*

*Linda Weatherson, General Manager Community and City Services joined the meeting at 10.16am.*

**4.3 Matters arising – Councils and Emergencies Capability and Capacity Evaluation scoring gap**

Linda Weatherson, General Manager Community and City Services (GMCCS), presented her report on the assessment of Council's emergency capability and capacity. In response to a question regarding planned improvements, the Committee was informed that Council's Municipal Emergency Resource Officer (MERO) was working with the Director On-Street Support and Compliance and Council's municipal recovery managers to continuously improve the emergency management and recovery documentation.

The Audit and Risk Committee noted the report.

*Linda Weatherson, General Manager Community and City Services left the meeting at 10.25am.*

**4.4 Status of matters arising as at 8 May 2020 summary report**

This report was taken as read. All open matters were on track to be completed at this meeting.

**4.5 Matters arising from Council**

There were no matters at this time.

## 5. Internal audit

### 5.1 Internal audit status report as at 28 January 2020

David Fraser, Partner at NTT, Council's internal audit service provider, outlined the progress of the internal audit program showing that the work was on track. The Chair requested that in future any audit work that was being carried out in addition to the planned internal audit program should be listed under a separate heading on the internal audit status report. David Fraser indicated that this would be done.

*Michelle Fitzgerald, Director Technology and Digital Innovation and Jeff Anthoney, ICT Manager joined the meeting at 10.30am.*

### 5.2 Information and Record Management Internal Audit

David Fraser spoke to the Information and Record Management internal audit report. It was rated 'requiring improvement' with four findings. These related to the disposal of documents, monitoring of record keeping systems, the use of unprotected external storage devices such as USBs and the need for file searching functionality training.

Michelle Fitzgerald, Director Technology and Digital Innovation advised that Council's compliance obligations are taken seriously and that her team is ensuring they have the right actions in place regarding disposing of records. A cost benefit analysis will be conducted to make sure the focus is on the high risks.

The Audit and Risk Committee noted the report.

*Michelle Fitzgerald, Director Technology and Digital Innovation and Jeff Anthoney, ICT Manager left the meeting at 10.35am.*

*Chris Lamont, General Manager Capital Projects and Infrastructure and Jenny Bailey, Director Infrastructure and Assets joined the meeting at 10.36am.*

### 5.3 Contract Management - Parking Meter Maintenance and Coin Collection Internal Audit

David Fraser spoke to the Parking Meter Maintenance and Coin Collection audit report which was rated as 'effective' which indicated that controls, processes, and strategies had been established and are consistently, effectively and efficiently applied. It was considered that there had been a good response by management in improving the controls.

Jenny Bailey, Director Infrastructure and Assets stated that the aim was to move away from cash-based parking meters and explained that there would be work undertaken on awareness raising to manage behavioural changes required when using credit cards.

The Audit and Risk Committee noted the report.

*Chris Lamont, General Manager Capital Projects and Infrastructure and Jenny Bailey, Director Infrastructure and Assets left the meeting at 10.45am.*

### 5.4 Internal Audit Plan 2020-21 to 2021-22

The Committee reviewed and approved the 2020-21 to 2021-22 Internal Audit plan noting the addition of the Payment Card Industry Data Security Standards audit in place of the QVM precinct redevelopment project management review that was now being undertaken under the QVM redevelopment budget.

It was noted by the Committee that audits such as OHS and Aged Care had not been undertaken in some time and that an audit of aged care should be re-assessed following the outcome of the Royal Commission into aged care. Management agreed that this would be recorded as input when the plan was reviewed in May 2021 leading up to the 2021-22 year of the Internal Audit Plan.

The Audit and Risk Committee approved the plan.

## **6. External audit**

### **6.1 Interim Management Letter 2019-20**

Sanchu Chummar, Acting Sector Director, Local Government, introduced Jung Yau, Manager Financial Audit, who had just joined the VAGO City of Melbourne team.

VAGO reported that it has been working closely with Council's Finance team. One of the areas of audit would be IT controls in relation to increased remote working as a result of COVID-19. VAGO also confirmed that they did not believe that the audit strategy would need to change as a result of the COVID-19 situation. The Chair, Geoff Harry, asked about the financial impact of Council support for the subsidiary companies in respect to COVID-19 and Michael Tenace, Chief Financial Officer (CFO), indicated that he was having ongoing discussions with both Citywide and Queen Victoria Market on this matter.

*The Deputy Lord Mayor, Arron Wood, left the meeting at 10.50am and re-joined at 10.55am.*

## **7. Subsidiary company reporting.**

### **7.1 Queen Victoria Market quarterly report**

Michael Tenace, CFO, reported that he had been liaising with QVM regarding the reporting improvements that the Committee had requested and that they were improving the format of the report to focus on the material matters and high risks for the Committee to note. The Committee noted the recent OHS initiatives as reported.

The Audit and Risk Committee noted the report.

### **7.2 Citywide Service Solutions quarterly report**

The CFO, Michael Tenace, reported on Citywide's financial situation. He referred to the challenges of COVID-19. The Chair, Geoff Harry, was pleased to note the positive dividend to the City of Melbourne.

The Audit and Risk Committee noted the report.

## **8. Audit and Risk Committee Annual Work Plan and other matters**

### **8.1 Governance and Legal report**

Keith Williamson, General Manager Governance and Organisational Development, spoke to this report. He pointed out that the internal audit recommendation reported as overdue had now been completed.

He acknowledged that the lost time days reported in the OHS report were a concern but that this was being addressed.

It was commented that the overall provision for Council's litigated claims, which was based on advice from Council's lawyers, had reduced compared to the previous quarter. It was also noted that a review had been conducted by an external specialist on Council's tree management programme and that this report was positive about Council's systems in place to manage trees.

The Audit and Risk Committee noted the report.

### **8.2 Insurance pre-renewal report 2020-21**

This report was presented by the Coordinator Risk Management, Dale Ashley, who introduced the report by stating that Council's overall insurance premium is projected to be significantly higher than for the previous year due to insurance market conditions.

It was noted that the projected 33 per cent increase was a worst case scenario and that Council is expecting the increase to be lower than this. It was stated that Council will be undertaking required actions in conjunction with Council's broker to minimise the increase, including looking at higher deductibles for Council's Councillor and Officer Insurance, which had been planned prior to the insurance renewal.

The Audit and Risk Committee noted the report.

### **8.3 Risk Management Report**

This report was presented by the Coordinator Risk Management, Dale Ashley, who introduced the report by stating that it provided an update on Council's risks and some recent developments, including an external risk management review that was completed in January 2020. The risk management review provided various recommendations, the majority of which had been implemented while others were committed to and had agreed completion dates.

Council had recently reviewed its risk appetite statement and control assessment methodology to provide a more useful tool for those assessing risks and these would be provided to the internal auditor as input to the current Risk Management Framework internal audit.

Comments were made regarding Council's new and increasing risks as recently reported by the Management Leadership team, the majority of which related to COVID-19. The recent review of Council's strategic risks by the Executive Leadership Team and the changes resulting from this review were also noted. The Chair complimented Council on the positive risk management changes undertaken and stated that he would circulate some specific feedback offline to the Coordinator Risk Management regarding the report.

The Audit and Risk Committee noted the report.

*Alan Wilson, Financial Controller joined the meeting at 11.24am.*

### **8.4 2019-2020 Shell Accounts and Key changes**

Michael Tenace, CFO, spoke to this report. A key matter discussed related to the new disclosures required in the annual financial statements arising from changes in accounting standards which was going well.

In response to a question from the Chair regarding the likelihood of the potential for additional calls from the superfunds to top-up funds the CFO told the meeting that Council was well placed on this and took a conservative position regarding superannuation and were comfortable with this. As things stood they were predicting that the VBI (Vested Benefits Index) will likely remain at least 100 for this current financial year. Management indicated that no surprises were expected and as a result of COVID-19 and extra monitoring was being undertaken.

The Audit and Risk Committee noted the report.

*Alan Wilson, Financial Controller left the meeting at 11.28am.*

*MaryAnn Adams, Performance Analyst joined the meeting at 11.30am.*

### **8.5 Local Government Performance Reporting Framework (LGPRF) 2019-20 Materiality Threshold**

This report was taken as read and as the Committee had no questions, they noted the report.

*MaryAnn Adams, Performance Analyst left the meeting at 11.31am.*

### **8.6 Annual review of the Audit and Risk Committee Charter**

Keith Williamson, General Manager Governance and Organisational Development, spoke to the updated Charter explaining that it had been amended to reflect the requirements of the new *Local Government Act 2020*.

The Audit and Risk Committee endorsed the Charter and recommended that it be forwarded to Council for approval.

*Chris Lamont, General Manager Capital Projects and Infrastructure and Joanne Wandel, Director Major Capital Works, joined the meeting at 11.33am.*

### **8.7 Queen Victoria Market Precinct Renewal Program Risk Summary Report**

Joanne Wandel, Director Major Capital Works, spoke to this report. She informed the Committee that there had been minor changes to the project risk register. Risk 35 was revised to acknowledge the potential impact of COVID-19 on QVM's financial viability and consequent impacts on the project business case and funding.

In response to a question from the Chair, the Deputy Lord Mayor Arron Wood indicated that he believed that the approach being taken to manage the project is appropriate bearing in mind the changed nature of the project.

The Deputy Lord Mayor advised that the project was tracking close to budget for Stage Two and that decisions yet to be made around the Queen Victoria Market's corner building would affect the overall spend.

The Audit and Risk Committee noted the report.

*Chris Lamont, General Manager Capital Projects and Infrastructure and Jo Wandel, Director Major Capital Works, left the meeting at 11.48am.*

### **8.8 Appointment of Audit and Risk Committee Chairperson for 2020-2021**

The Chair asked Keith Williamson, General Manager Governance and Organisational Development to assume the role of Chair to enable the election of a Chairperson of the Committee for the ensuing year as required by the Committee Charter. Keith Williamson called for nominations for the position of Chair of the Committee for 2020-21. The Deputy Lord Mayor, Arron Wood, nominated Geoff Harry and Therese Ryan seconded the nomination. There were no other nominations. Geoff Harry accepted the nomination.

The Committee resolved to appoint Geoff Harry to be Chair of the Melbourne City Council Audit and Risk Committee for the 2020-21 financial year and to forward this information to Council for ratification through the presentation of these minutes.

Geoff Harry expressed his appreciation to members and officers for the support he had received over the previous year and looked forward to the year ahead.

### **9. Matters arising from Council minutes**

There were no matters raised.

### **10. Matters for presentation to the next meeting of Council**

The Audit and Risk Committee minutes and the reviewed Audit and Risk Committee Charter will be presented to the July 2020 meeting of Council.

### **11. Audit and Risk Committee to meet with internal and external audit without management**

The Audit and Risk Committee did not meet with external and internal audit without management present on this occasion.

**The meeting concluded at 11.55am**

To be confirmed at the August 2020 Audit and Risk Committee meeting.

Chair  
Audit and Risk Committee  
Melbourne City Council