

Management report to Council

Agenda item 6.2

Referred Documents from the August 2020 Audit and Risk Committee meetings

Council

Presenter: Keith Williamson, General Manager Governance and Organisational Development

29 September 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 7 August 2020 and the Special ARC meeting held on 27 August 2020.
2. Forwarding the minutes from the ARC to Council is a requirement under its Charter. Additionally, the ARC presents to Council the Annual Activities Report which is subsequently published on the Council's website.

Key issues

3. The ARC noted that the following matters would be presented to Council:
 - 3.1. The confirmed minutes of the 7 August 2020 ARC meeting (refer Attachment 2).
 - 3.2. The unconfirmed minutes of the 27 August 2020 Special ARC meeting (refer Attachment 3).
 - 3.3. The ARC 2019-20 Annual Activities Report (refer Attachment 4).

Recommendation from management

4. That Council:
 - 4.1. Notes the minutes of the meeting of the Audit and Risk Committee (ARC) held on 7 August 2020.
 - 4.2. Notes the minutes of the Special meeting of the ARC held on 27 August 2020.
 - 4.3. Receives the ARC 2019-20 Annual Activities Report and approves its publication on the Council's website.

Attachments:

1. Supporting Attachment (Page 2 of 34)
2. Confirmed minutes of the meeting of the Audit and Risk Committee held on 7 August 2020 (Page 3 of 34)
3. Unconfirmed minutes of the Special meeting of the Audit and Risk Committee held on 27 August 2020 (Page 10 of 34)
4. City of Melbourne Audit and Risk Committee 2019-20 Annual Activities Report (Page 15 of 34)

Supporting Attachment

Legal

1. No direct legal issues arise from the recommendation from management.
2. The ARC is an advisory committee of Council established in accordance with section 53 of the *Local Government Act 2020* (Act).

Finance

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

Election Period

4. Noting the minutes of the meetings of the ARC and receiving the ARC 2019-20 Annual Activities Report is not a prohibited decision for the purposes of the Election Period Policy.

Conflict of interest

5. 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

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

Stakeholder consultation

7. External stakeholder consultation has not been undertaken. As specified in the Charter, ARC meetings are closed to members of the public.

Relation to Council policy

8. Consistent with the requirements of the Act and the Charter, the establishment and maintenance of an ARC 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

9. Environmental sustainability issues or opportunities are considered not relevant to this proposal as it does not impact on the consumption/generation of water, waste, energy and/or greenhouse gases.

CONFIRMED MINUTES

MINUTES OF THE MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK COMMITTEE 7 AUGUST 2020 at 9.45am

The meeting was 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
Jared Lingard	Acting Coordinator Risk Management
Shelley Rodrigues	Risk Management Consultant
Cecilia Digenis	Internal Audit Officer
Evan Counsel	Director Planning and Building
Steven Baxas	Municipal Building Surveyor
Alison Leighton	General Manager Strategy, Planning and Climate Change
Jo Wandel	(Acting) General Manager Capital Projects and Infrastructure
Rob Adams	General Manager City Design
Ravin Balendran	Director Procurement and Contract Management
Dennis Quinn	Procurement Governance and Operations Manager
Michelle Fitzgerald	Director Technology and Digital Innovation
Jeff Anthoney	ICT Manager

NTT - Internal Audit

David Fraser	Partner
William Cheung	Senior Manager

APOLOGIES

VAGO

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

City of Melbourne

Marlo Emmitt	Director Governance
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1. Commencement of meeting

The meeting commenced at 9.50am.

2. Apologies

Sanchu Chummar, Acting Sector Director, Local Government and Jung Yau, Manager Financial Audit, VAGO sent their apologies.

3. Declarations of conflicts of interest

There were no declarations of conflicts of interest.

Geoff Harry informed the meeting that his term as Chair of the Audit and Risk Committee at Monash City Council concluded at 30 June 2020. He also advised that he has recently joined the Audit and Risk Committee at Kingston City Council.

4. Minutes and matters arising

4.1 Confirmation of minutes of meeting held on 8 May 2020

The minutes of the meeting held on 8 May 2020 were confirmed with no amendments.

Alison Leighton, General Manager Strategy, Planning and Climate Change, Evan Counsel, Director Planning and Building and Steven Baxas, Municipal Building Surveyor joined the meeting at 10am.

4.2 Matters arising – Combustible cladding update

Alison Leighton, General Manager Strategy, Planning and Climate Change and Evan Counsel, Director Planning and Building gave a summary of the report and the current situation with regard to risk based assessment of buildings and the process required to achieve rectification. They reported on the outcomes of a joint meeting with DELWP, the VBA and the Cladding Authority which had been convened to address the City's concerns with the approach to management of in scope buildings in the municipality. They advised that they believed they had achieved a breakthrough in working towards an improved process going forward. They assured the Committee that the City remains very focussed on reaching a solution for all at risk buildings.

The Chair requested that future reports provide more details with regard to change in period to period risks so that the Committee can focus quickly on the key changes.

The Committee noted the report and requested a further update to the November 2020 meeting.

Alison Leighton, General Manager Strategy, Planning and Climate Change, Evan Counsel, Director Planning and Building and Steven Baxas, Municipal Building Surveyor left the meeting at 10.20am.

4.3 Status of matters arising as at 7 August 2020 summary report

The Committee agreed that the first item in the report, which was a request for a presentation on the long term post COVID-19 recovery plan for the City, would be deferred to the next meeting of the Committee scheduled to be held on 27 August 2020.

There was a question regarding the timing of the planned audit of the City's Aged Care activities, given the current Royal Commission into Aged Care being conducted by the Federal Government. It was agreed that management would consider timing with internal audit and provide feedback of options at the next meeting.

The Chair took this opportunity to thank Council, through Deputy Lord Mayor, Arron Wood and Councillor Philip Le Lieu, for ratifying his reappointment as Chair of the Committee for another year.

The Committee noted the report.

4.4 Matters arising from Council

There were no matters at this time.

5. Internal audit

5.1 Internal audit status report as at 24 July 2020

The Committee noted the report.

Jo Wandel, (Acting) General Manager Capital Projects and Infrastructure and Rob Adams, General Manager City Design joined the meeting at 10.24am.

5.2 Southbank Boulevard Special Review

The report on the officer initiated internal audit review of the effectiveness of project management of the Southbank Boulevard Project was taken as read and the meeting agreed to focus on the response report prepared by officers. Rob Adams, General Manager City Design, made brief overview comments about the project indicating that in his opinion the management of the project had been sub-optimal and that the City needs a more effective approach to project management.

Jo Wandel, (Acting) General Manager Capital Projects presented the newly endorsed City of Melbourne Project Management Framework. The Committee was pleased to note that the framework has addressed the key findings in the internal audit report and the initiative for improved integration and cooperation between the procurement, project design and project planning functions as part of the revised approach to project management.

The Committee noted the report and the response provided, noting that there are changes which should lead to improved project management performance at the City.

Jo Wandel (Acting) General Manager Capital Projects and Infrastructure and Rob Adams, General Manager City Design left the meeting at 10.47am.

5.3 Risk Management Internal Audit

David Fraser, Partner, NTT, spoke to the Risk Management audit report. He explained that the review indicated that the City's risk culture and the risk management framework were strong and healthy with improvements noted since the last review in the area in August 2014. The key areas of concern were the identification and management of mitigating controls, reporting on risk management performance and the aged and inefficient system in place.

The General Manager Governance and Organisational Development, Keith Williamson, indicated that the review was a timely reminder of the need to make improvements and advised that work had commenced on the agreed actions arising from the report. He noted that budget had been secured for an upgrade to the risk management system and that he would report on progress at the November 2020 meeting.

The Committee commended NTT for the report indicating that it addressed the key areas where the Committee feels improvements are required and welcomed the comments about improving performance with regard to management of mitigating controls.

The Committee noted the report.

5.4 Controls Assurance Internal Audit

William Cheung, Senior Manager NTT, spoke to this report highlighting the interrelationship of the review with the Risk Management audit report. Management recognised that the key priority action was the need to develop KPIs that would measure the effectiveness of controls.

There was a question regarding the nominated dates for completion of various recommendations and management agreed to review those and report back to the Committee off line.

The Chair requested a brief update on the progress on the recommendations of the Risk Management and Controls Assurance audits to be added to the Strategic Risk Report at the November meeting.

The Committee noted the report.

5.5 Infringement Management Terms of Reference

The Committee noted the Infringement Management Terms of Reference. The CEO explained that in view of the recent review of the management of Parking Infringement Notices by the Victorian Ombudsman it may be preferable to defer the scheduled internal audit review of Infringement Management and to re-scope the review to focus on the City's response to the Ombudsman's report. This suggestion was accepted by the Committee. It was agreed that the revised scope and timing of this review will be advised at the next meeting.

It was also agreed that with the deferral of the Infringement Management review, the Cyber Security review would be brought forward.

The Cyber Security Terms of Reference will be circulated for approval off line.

The Committee agreed to this change in the Internal Audit plan program for 2020-21.

5.6 Volunteer Management Terms of Reference

The Committee noted and accepted the Volunteer Management Terms of reference.

6. External audit

No report.

7. Subsidiary company reporting

7.1 Queen Victoria Market quarterly report

Michael Tenace, CFO spoke to this report and highlighted the work that was being done at QVM on their IT Strategy review, working towards a more robust system to address their business needs into the future.

There was discussion regarding the long term effects of COVID-19 on the subsidiary company and the QVM precinct renewal project. It was noted that Council will be shortly considering a revised business case for the renewal project that will look at the impact of both the revised project scope and COVID-19 on QVM's business into the future. The Chair indicated that there would be considerable discussion on QVM's financial viability arising from these matters at the next meeting of the Committee due to consideration of the consolidated financial statements.

The Chair noted the improvements to the report in comparison to previous reports.

The Committee noted the report.

7.2 Citywide Service Solutions quarterly report

Michael Tenace, CFO spoke to this report. He made reference to a number of key points including the acquisition of an electrical engineering firm and answered the Committee's questions, which were mainly focussed on material risks. There was concern about the level of safety incidents reported and Michael agreed to provide further contextual comments to the Committee off line regarding how Citywide were dealing with these issues, including traffic management and evidence of job safety analysis.

The Chair noted that senior Citywide representatives, including the Chair of its Audit Committee will be attending the next meeting of the Committee and that this will be an opportunity for further discussion on these matters.

The 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. The Committee noted the request to extend the agreed completion date in the overdue audit recommendations as laid out in the report and agreed to the new date.

The Committee noted the report.

Ravin Balendran, Director Procurement and Contract Management and Dennis Quinn, Procurement Governance and Operations Manager joined the meeting at 11.55am.

8.2 Internal Control Framework – Procurement Policy

This report was taken as read. The Chair requested that in future as a matter of course, whenever revised policies are provided to the Committee, the papers include a marked up copy of each of the reviewed Policies so that the Committee had a clear picture of the changes proposed. Ravin Balendran, Director Procurement and Contract Management, highlighted the key changes that had been made which included procurement planning, the impact of sustainability and entire procurement lifecycle controls.

In response to questions, Ravin Balendran and Dennis Quinn (Procurement Governance and Operations Manager) outlined the procurement planning process, the links with the Code of Conduct and the fact that the policy review had taken into account the findings of the recent IBAC report to strengthen a number of areas including fraud prevention.

The Committee acknowledged that the report had already been approved by Council and therefore noted the report.

Justin Hanney, CEO left the meeting at midday.

Ravin Balendran, Director Procurement and Contract Management and Dennis Quinn, Procurement Governance and Operations Manager left the meeting at 12.07pm.

8.3 Insurance Renewal Report

This report was taken as read and as there were no questions, the Committee noted the report.

8.4 Annual Audit and Risk Committee Report on Activities

This report which had been prepared by the Chair was taken as read and as there were no questions, the Committee noted the report and the fact that it would be forwarded to Council without the verbatim comments (these having been included for members' information only). It was also noted that the report will eventually be published on the City of Melbourne website.

8.5 Proposed Audit and Risk Committee meeting schedule for 2021-22

This report was taken as read and the Committee adopted the schedule.

Jo Wandel, (Acting) General Manager Capital Projects and Infrastructure re-joined the meeting at 12.10pm.

8.6 Queen Victoria Market Precinct Renewal Program Risk Summary Report

Jo Wandel, (Acting) General Manager Capital Projects and Infrastructure, provided a highlight report outlining the changes in the risk profile of the renewal program. Jo also indicated that there had been considerable progress since the last report and outlined the expected limited effects of the stage four COVID-19 restrictions due to the fact that most of the works can be categorised as State construction, and therefore can proceed.

A further report was requested for the February 2021 meeting.

Jo Wandel (Acting) General Manager Capital Projects left the meeting at 12.21pm.

Arron Wood, Deputy Lord Mayor left the meeting at 12.21pm.

Michelle Fitzgerald, Director Technology and Digital Innovation and Jeff Anthoney, ICT Manager joined the meeting at 12.21pm.

8.7 Cyber Metrics report

In presenting this report Michelle Fitzgerald, Director Technology and Digital Innovation, reported that, to date, there had been no breaches or significant cyber incidents since the previous report but they continue to carefully monitor the situation.

The Chair stated that he was very pleased to note that the City is working with John O'Driscoll, who is the Chief Information Security Officer at the State level as he has a broader view of the risks to information security and has information that would be very useful to the City. Michelle acknowledged the great deal of work that was being done by Jeff Anthoney, ICT Manager, in this space.

The Committee requested a further report to the November 2020 meeting.

Michelle Fitzgerald, Director Technology and Digital Innovation and Jeff Anthoney, ICT Manager left the meeting at 12.25pm.

9. Matters arising from Council meeting

There were no matters arising from the Council meeting.

10. Matters for presentation to the next meeting of Council

The Committee minutes and the Annual Audit and Risk Committee Report on Activities will be presented to the September 2020 meeting of Council.

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

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

12. Other Matters

12.1 VAGO Completion of Citywide Audit - Year Ended 30 June 2020

The Chair advised that he had been contacted by Sanchu Chummar, Acting Senior Director, Local Government on 31 July 2020 to advise that for various reasons, some of which are VAGO related, the audit of Citywide Service Solutions Pty Ltd for the year ended 30 June 2020 will not be completed prior to the Committee considering the consolidated annual financial statements of the City at its meeting scheduled for 27 August 2020.

The Chair advised that VAGO indicated that they had discussed these matters with Citywide and City of Melbourne management and proposed workarounds. With audit work substantially complete, VAGO can provide clearance on the Citywide numbers for CoM consolidation purposes. Any changes to Citywide numbers post CoM sign off are not expected by VAGO to be material to the CoM consolidated financials.

VAGO has advised that they have now scheduled a three day audit visit starting 9 September 2020 to provide sign off on Citywide financial report by 17 September 2020.

The Chair reported that the Deputy Lord Mayor has indicated that it would be difficult for Council to consider the consolidated annual financial report beyond current scheduled times due to the approaching Council 'caretaker period' as a result of impending November 2020 Council election cycle. He therefore believes that the Committee should not delay its scheduled meeting of 27 August 2020.

The Committee noted this verbal report and concluded that the matter needs to be monitored closely to ensure that at the next meeting the Committee is able to consider the consolidated annual financial report. The Committee asked the Chair to report back on this matter at the next meeting.

The meeting concluded at 12.45pm

Confirmed at the Special Audit and Risk Committee meeting held on 27 August 2020.

Chair
Audit and Risk Committee
Melbourne City Council

**MINUTES OF THE SPECIAL MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK
COMMITTEE
27 AUGUST 2020**

The meeting was held remotely online via Zoom technology

PRESENT**Members**

Geoff Harry (Chair)
Stuart Hall
Therese Ryan
Deputy Lord Mayor, Arron Wood
Cr Philip Le Liu

City of Melbourne

Justin Hanney	Chief Executive Officer
Michael Tenace	General Manager Finance and Corporate and Chief Financial Officer
Liam Routledge	Director Finance and Investment
Alan Wilson	Financial Controller
Keith Williamson	General Manager Governance and Organisational Development
Marlo Emmitt	Director Governance
Jared Lingard	Acting Coordinator Risk Management
Cecilia Digenis	Internal Audit Officer

Citywide

Andrea Waters	Citywide Audit and Finance Committee Chair
Chris Campbell	Chief Executive Officer
Paul Hudson	Chief Financial Officer

Queen Victoria Market (QVM)

Patrick Burroughs	QVM Audit Committee Chair
Stan Liacos	Chief Executive Officer
Debbie Dowling	General Manager Business Services

Victorian Auditor-General's Office (External Audit)

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

1. Opening of Meeting

The Chair, Geoff Harry, opened the meeting at 9.45 am.

2. Apologies

There were no apologies.

3. Declarations of Pecuniary Interest or Conflicts of Interest

There were no declarations of pecuniary interest or conflicts of interest.

4. Minutes and Matters arising

4.1 Confirmation of minutes of meeting held on 7 August 2020

The Committee confirmed the minutes of the meeting held on 7 August 2020.

4.2 Status of Matters arising as at 27 August 202

It was noted that the first item regarding the VAGO audit of Citywide would be considered through this meeting. All other actions will be reported at the next meeting in November.

The Committee accepted the report.

4.1 Member Feedback

The Chair referred to the outcomes of the process that had been undertaken by the Committee in reviewing all of the reports included in the meeting papers – these included the consolidated Annual Financial Report of the City for the year ended 30 June 2020, the Annual Performance Statement of the City for the year ended 30 June 2020 and the Annual Financial Reports of subsidiaries Citywide Service Solutions Pty Limited and Queen Victoria Market for the year ended 30 June 2020. He indicated that all review points had been combined and provided to the Chief Financial Officer, Michael Tenace, for consideration prior to the meeting. He also noted that the Committee had received written responses to all of the review points prior to the meeting, highlighting the excellent turnaround performance by the City's Finance Team at a very difficult time.

It was recognised that the feedback process to the Finance Team had worked better than in the previous year but that the scheduling of this Special Committee Meeting for next year should be reconsidered in light of the very tight timeframes that apply with regard to completion of year-end financial reports and audit thereof. The Chair expressed his appreciation of the work of the Finance team on behalf of all Committee members.

Andrea Waters, Citywide Audit and Finance Committee Chair, Chris Campbell, CEO and Paul Hudson, Chief Financial Officer joined the meeting at 9.50am.

5. Citywide Service Solutions Pty Limited

5.1 Financial reports 2019-2020

The Chair introduced this item noting that whilst the Victorian Auditor General's Office (VAGO) are yet to complete the audit of the Annual Financial Report of Citywide, VAGO has confirmed in writing (correspondence tabled at the meeting) that audit work in relation to all account balances had been completed and no adjustments are expected to those figures. He indicated that VAGO has yet to complete its work in relation to Annual Financial Report disclosures. He also indicated that the draft Annual Financial Report had been reviewed by the Citywide Audit and Finance Committee.

Andrea Waters, Citywide Audit and Finance Committee Chair, confirmed that the Board was comfortable with the Annual Financial Report. VAGO was due to undertake the final stages of their audit from 9 September 2020 and the Annual Financial Report would be presented to the Board as soon as they were cleared by VAGO. She went on to outline the major events that had impacted the 2019-2020 results.

The CEO spoke to the meeting about the strong progress Citywide had made in maintaining business activity despite the challenges faced from the COVID-19 impacts and the tough market.

Citywide responded to a number of questions regarding the Annual Financial Report and Citywide operations and the Committee were happy with the responses.

The Chair requested that the Committee receive a copy of the Annual Financial Report when the audit is finalised and the VAGO Closing Report and the Final Management Letter as soon as they are available.

The Chair invited the Citywide attendees to attend the Committee's February 2021 meeting.

5.2 External Auditor's Closing Report and Audit Opinion - Citywide

Sanchu Chummar, Acting Sector Director, Local Government, VAGO indicated that he was comfortable with the outcomes of the Citywide audit to date. He noted the revaluation of the Citywide land and buildings following rezoning of the land in the Arden Street Precinct, North Melbourne. He confirmed the dates and expected finalisation of the VAGO audit prior to the end of September 2020.

The Committee noted the:

- Executive Summary
- declarations of the Chief Executive Officer and the Chief Financial Officer
- draft Directors' Report
- draft FY20 Annual Financial Report.

The Committee also noted that the Annual Financial Report is still subject to audit completion and hence may be subject to change, although significant changes are not expected.

Andrea Waters, Citywide Audit and Finance Committee Chair, Chris Campbell, CEO and Paul Hudson, Chief Financial Officer left the meeting at 10.15pm.

6. Melbourne City Council – Annual Performance Statement (Agenda Item 8)

6.1 Preparation of the Annual Performance Statement 2019-2020 (Agenda Item 8.1)

Director Governance, Marlo Emmitt, introduced the Annual Performance Statement for the year ended 30 June 2020 and gave an overview of the results for performance indicators where there were notable year on year variations and responded to feedback from the Committee. There was discussion regarding the opportunities that the APS provides to the City as a means of communicating its performance to external stakeholders and agreement that the City would consider such opportunities next year.

6.2 Melbourne City Council External auditor's management letter (Agenda Item 8.2)

Sanchu Chummar, Acting Sector Director, Local Government, VAGO reiterated his audit finding that they were satisfied that the performance statement for Council presents fairly.

Patrick Burroughs, QVM Audit Committee Chair, Stan Liacos, CEO and Debbie Dowling, General Manager Business Services joined the meeting at 10.25am.

7. Queen Victoria Market (QVM) (Agenda item 6)

7.1 Annual Financial Report 2019-2020

The Chair introduced this item recognising that the QVM Annual Financial Report had been completed, received a clear audit opinion from VAGO and been approved by the QVM Board. He thanked QVM for the executive summary and noted the quality of the reports presented.

Patrick Burroughs, QVM Audit Committee Chair, then spoke to the report noting the particular difficulties presented by the current environment. He highlighted the Board's strong focus on cash flow management and also voiced appreciation for the funding agreement with City of Melbourne.

Debbie Dowling, QVM General Manager Business Services provided information regarding the effect of the COVID-19 rent relief program on traders as well as the reduced car parking revenue. The ongoing impact of these items has been factored into the 2020-21 budget.

Stan Liacos, QVM CEO talked to the Committee about the pre COVID-19 success with increased customer and tourist numbers resulting in increased numbers of profitable events such as the night market which had been hugely successful and had helped subsidise the day market. He also noted the recruitment of a new management team.

He advised that a new future marketing plan was being developed based on the estimated longer term impacts of the COVID-19 experience and beyond. He made reference to smaller niche market events and development of an online trading platform. Overall he felt that traders were generally happy with the QVM/CoM relationship and were pleased with how they were being engaged and supported.

The Chair thanked the QVM representatives for their attendance and invited them to attend the Committee's February 2021 meeting.

The Committee noted the:

- Executive summary
- VAGO closing report
- FY20 QVM Annual Financial Report.

7.2 External Auditor's Closing Report and Audit Opinion

Sanchu Chummar, Acting Sector Director, Local Government, VAGO confirmed that a clear audit opinion on the Annual Financial Report of QVM would be provided.

Patrick Burroughs, QVM Audit Committee Chair, Stan Liacos, CEO and Debbie Dowling, General Manager Business Services left the meeting at 11.06am.

8. City of Melbourne - Consolidated Annual Financial Report (Agenda Item 7)

8.1 Annual Financial Report 2019-2020

Michael Tenace, General Manager Finance and Corporate and Chief Financial Officer, presented an overview of the City's consolidated financial performance for the year ended 30 June 2020. He noted that the results of the two subsidiary companies had been discussed earlier in the meeting and so his comments would relate to the City's results only.

He highlighted the year-on year increase in rates revenue of 5 per cent which was predominately the result of supplementary rate valuations. There had also been a substantial increase in Public Open Space contribution revenue related to the significant development of Southbank Boulevard and Arden Street as well as the Therry Street and Queen Street projects. In terms of expenses, employee costs had increased but were just under budget. The large increase in bad and doubtful provisions as a result of the impairment of accounts receivable balances made a large impact on the results. He indicated that the application of a new expected credit loss method of impairment assessment on parking infringement debts and the impact of the COVID-19 lockdown had been the main contributors to the increased impairment charges.

The Chair referred to the responses provided by the Finance Team to Committee Member feedback schedule. After discussion it was agreed that all points had been addressed. It was noted that the Procurement Team had commissioned an audit of waste management contracts during the year and that Citywide had undertaken significant post implementation audit activity related to the new Kronos system. The Committee requested that a paragraph be added to the quarterly Governance report that provides details of any assurance activity undertaken by the City that is outside the internal audit plan.

It was agreed that there is an opportunity to consider improvements to the City's Annual Financial Report format and disclosures in future years and the Chair suggested a meeting with the senior members of the Finance Team to discuss those matters.

The Committee requested that note 8.3 (d), which referred to details of security provided for borrowings by Citywide be revised to more clearly disclose that the security relates to Citywide rather than the City. The Chief Financial Officer agreed to action this matter before the City's Annual Financial Report for the year ended 30 June 2020 is finalised.

The Committee noted that whilst the audit of Citywide has not been concluded as yet and that there is a possibility that revisions to the Annual Financial Report of Citywide may occur, based on the advice of VAGO that such revisions will not occur and that VAGO has indicated that it will issue a clear opinion on the consolidated Annual Financial Report and the Annual Performance Statement of the City, such potential revisions to the Citywide Annual Financial Report are unlikely to materially impact the consolidated Annual Financial Report of the City.

On this basis the Committee resolved that:

- It notes the Executive Summary in relation to the financial performance of the City for the year ended 30 June 2020.
- It notes the Annual Performance Statement for the City for the year ended 30 June 2020.
- It notes the Executive Summaries provided by Citywide Service Solutions Pty Ltd and Queen Victoria Market Pty Ltd in relation to their financial performance for the year ended 30 June 2020.
- It notes the Officer Attestations provided by all four entities.
- It notes the VAGO draft Closing Report for the year ended 30 June 2020 (and in doing so, notes that VAGO will issue a clear opinion on the Melbourne City Council Group AFR and APS).
- Following discussion and clearance of review points raised by Committee members on all reports, the Committee recommends that Council approve 'in-principle' the 2019-20 Group Annual Financial Report and the Annual Performance Statement.

In addition, the Committee resolved that copies of the audited AFR for Citywide Services Pty Ltd for the year ended 30 June 2020 be provided to Committee members as soon as possible, noting that if there are any material changes prior to VAGO issuing a clear opinion on the Citywide Pty Ltd AFR, that the Committee be advised of such changes.

8.2 External Auditor's Closing Report and Final Management Letter

The VAGO Closing Report indicated that VAGO will issue a clear audit opinion on the consolidated Annual Financial Report and the Annual Performance Statement of the City and was taken as read.

The Committee noted the VAGO Final Management Letter and requested that it be advised at the next meeting of the status of the management response to audit findings. The General Manager Governance and Organisational Development undertook to provide a briefing paper addressing their query at the next meeting of the Committee.

9. Audit and Risk Committee to meet with VAGO without management

The Committee met with VAGO without management present.

There were no issues of concern raised by the auditors.

The meeting concluded at 12.02pm

To be confirmed at the December 2020 Audit and Risk Committee Meeting.

Chair
Audit and Risk Committee
Melbourne City Council



Attachment 4
Agenda item 6.2
Council
29 September 2020

City of Melbourne Audit and Risk Committee

2019-20 Annual Activities Report

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1. Introduction

The City of Melbourne (the City) has established an Audit and Risk Committee (the Committee) pursuant to section 139 of the *Local Government Act 1989*. The Council has approved a Charter setting out the Committee's role and responsibilities and requires the Committee to annually report to Council on its activities. This report covers the Committee's activities for the year ended 30 June 2020.

2. Role of the Committee

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 objectives of the Committee are 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.

3. Key Activities

To achieve its objectives, the key activities undertaken by the Committee during the year were to:

- review the Annual Financial Report and recommend its adoption to Council
- review the Annual Performance Statement and recommend its adoption to Council
- approve the external audit plan and monitor the outcomes of the audit paying particular attention to any findings which may suggest that controls are not as effective as desired
- approve the Strategic and Annual Internal Audit Plans to ensure that planned internal audit activity is appropriately targeted and is aligned to key business risks
- review the results of internal audit activity
- monitor the effectiveness of the internal audit program
- monitor the City's performance with regard to 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
- 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

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

4. Audit and Risk Committee membership

The composition of the Committee according to its charter is three independent members and two Council representatives.

The membership of the Committee during 2019-20 is set out below:

4.1 Council representatives

Deputy Lord Mayor Arron Wood	July 2019 to June 2020
Cr Philip Le Liu	July 2019 to June 2020

4.2 Independent members

Mr Geoff Harry (Chairman)	July 2019 to June 2020
Ms Therese Ryan	July 2019 to June 2020
Mr Stuart Hall	July 2019 to June 2020

5. Meetings and attendance

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

The May 2020 meeting was conducted electronically using Zoom because of the COVID-19 pandemic restrictions. All members attended and the meeting agenda was completed satisfactorily.

Representatives of the Victorian Auditor General's Office (External Auditors) and NTT, the internal audit service provider, attended all meetings with the exception of VAGO who did not attend the meeting held on 2 August 2019. The VAGO team attended the Special meeting in August 2019.

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 attended each Committee meeting. These included the Chief Executive Officer, Chief Financial Officer, General Manager Governance and Organisational Development, Director Governance and Coordinator Risk Management and when appropriate, senior representatives from the two subsidiary companies.

Table 1 – Membership, meeting dates and attendance

Attendee	Role	2/08/19 Quarterly	29/08/19 Special	15/11/19 Quarterly	14/02/20 Quarterly	8/05/20 Quarterly
Geoff Harry	Chair	Attended	Attended	Attended	Attended	Attended
Therese Ryan	Member	Attended	Attended	Attended	Attended	Attended
Stuart Hall	Member	Attended	Attended	Attended	Attended	Attended
Deputy Lord Mayor Arron Wood	Council Representative	Attended	Attended	Attended	Attended	Attended
Cr Philip Le Liu	Council Representative	Attended	Attended	Attended	Did not Attend	Attended

6. Internal audit

6.1 Internal audit service provider

The internal audit service providers, NTT, continued to provide such services to Council in the year ended 30 June 2020. The current internal audit contract will conclude its three year term at 30 June 2021.

Representatives from NTT attended all Committee meetings and presented the outcomes of the audits they had undertaken, engaging fully with the Committee in discussions arising from those audits.

During the year NTT made an annual declaration of independence to the Committee, confirming that they had maintained their independence and would continue to do so.

6.2 Internal audit plan

The 2019-2022 Internal Audit plan (the Plan) was presented to the Committee in August 2019 and was approved. The Committee considers changes to the plan from time to time as dictated by changing business circumstances. All such changes must be approved by the Committee as was the case at the November 2019 meeting to enable minor timing changes for planned reviews. At the May 2020 meeting the Committee reviewed and approved the 2020-2022 Internal Audit plan.

NTT continued the practice of presenting the Terms of Reference for each audit to the Committee for discussion and agreement before the commencement of each audit in order to ensure that the focus of each 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 the Committee discussed management progress in closing out open recommendations.

6.3 Internal audit reports

A total of eight internal audit reports were presented to the Committee during the year. 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 – 2019-20 Internal audits with overall audit and recommendation ratings

Audit Name	Meeting	Overall Rating	High Risk	Medium Risk	Low Risk	Total Actions
Rates and Valuations internal audit	August 2019	Satisfactory		3		3
Contract Management (Leisure Centre) internal audit	August 2019	Satisfactory		3	1	4
IT Strategy (including CRM / Salesforce)	November 2019	Satisfactory		4		4
Contract Variation Management	November 2019	Requiring Improvement		9	1	10
Major Project Management Review	February 2020	Requiring Improvement		8		8
Permits (including Parking and Street Trading)	February 2020	Requiring Improvement		6	2	8
Information and Records Management	May 2020	Requiring Improvement		4	2	6
Parking Meter Coin Collection Contract Management	May 2020	Effective				0
		Total		37	6	43

It was pleasing to see that no high rated issues were reported by the internal auditors for the year. The Committee reviewed and approved Terms of Reference for the Risk Management and Controls Assurance internal audits which are reviews included in the internal audit plan for the year ending 30 June 2021 and are in progress at 30 June 2020.

6.4 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 engaged with managers responsible for the business areas in which the audits were conducted to seek their views on the value of the work undertaken. The 2019-2020 report on the performance of NTT will be presented to the Committee at the first meeting in the 2020-2021 financial year.

6.5 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 council's services are achieved.

A summary of progress on implementation was presented to the Committee at each meeting to enable it to monitor the progress of implementation of audit recommendations. The table below summarises the status of actions for the year. Twenty-nine recommendations were open as at 30 June 2020, none of which were overdue for completion. 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 2019	29
Add New Actions Reported during the year	43
	72
Less Actions completed during the year	47
Open Actions at 30 June 2020	25

6.6 Internal Audit Charter

In response to a review of the findings of the VAGO report on Internal Audit Performance across the Local Government sector (published in 2018) the Committee oversaw the development of an Internal Audit Charter in November 2018. This provides a robust foundation for an effective internal audit function and assists in communicating the purpose, role and authority of the function to the rest of the organisation. The Internal Audit Charter will be reviewed every three years.

7. External Audit

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

Jonathan Kyvelidis, 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. Sanchu Chummar assumed this role when Mr Kyvelidis resigned from his role at VAGO in early 2020. The External Audit Plan for the year ended 30 June 2020 was presented and approved at the February 2020 Committee meeting.

VAGO's approach focused on:

Risk identification and assessment, including:

- setting materiality levels for the audit
- identifying material transactions, balances, disclosures and significant events
- assessing the risks of material misstatement in the annual financial report and the annual performance statement and the controls in place to mitigate those risks
- developing the audit strategy, including scope, timing and direction of the audit.

Risk response –

- Choosing and executing appropriate procedures to obtain audit evidence, including the use of data analytics where appropriate.

Reporting –

- Providing observations and recommendations for improvements to internal controls identified during the audit through our interim and final management letters.
- Informing Council of any significant findings that are not controls related through our closing report at the conclusion of the audit.
- Issuing an audit opinion on the financial report and performance report.

8. Oversight of annual financial and performance reports

On 29 August 2019 a special meeting of the Committee was held to consider the annual financial reports and the annual performance reports of the City and its subsidiaries for the year ended 30 June 2019. The Committee holds this special meeting each year to accommodate the timing requirements that allow Council to approve the annual financial report and the annual performance statement within the legislative timing requirements.

After Committee members reviewed the annual financial reports and performance reports, received officer presentations, reviewed the outcomes of the external audit and discussed the reports with representatives of the Audit and Risk Committees of the subsidiary companies, the Committee approved 'in principle' the Annual Financial Report, and the Annual Performance Statement.

9. Duties and responsibilities

The Committee's activities are focussed on discharging its responsibilities set out in its Charter as approved by Council from time to time. To ensure that the Committee completes its work, the Committee prepares an Annual Work Plan setting out the activities it needs to complete and the timing of each.

The Annual Work Plan is a key document for the Committee in directing its work. Details of the Committee's responsibilities are set out in Appendix 1.

9.1 Monitoring of legal claims

As part of monitoring the City's risk exposures, the Committee received regular reports which summarise the status of litigated claims or other matters settled or pending.

9.2 Subsidiary companies

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

9.3 City of Melbourne Audit and Risk Committee Charter review

The *Local Government Act 2020* (the Act) which was assented to on 24 March 2020, contains new requirements for Audit and Risk Committees. The Committee worked with senior officers to identify changes required to the Committee's Charter so that they could be submitted to Council for approval prior to 1 September 2020, this being the date by which the revised Charter needs to be operative. The revised Charter was considered at the May 2020 meeting of the Committee and after review it was recommended for submission to the Council for approval.

9.4 Internal Control Framework

In response to suggestions made in the 2018-2019 ARC Performance Self-Assessment survey it was agreed that a more structured approach to the review of internal controls be undertaken by the Committee going forward. Following agreement by the Committee on key components of the Internal Control Framework the Committee's Annual Work Plan was revised, such revisions being approved at the February meeting. The framework lists the key control elements under the headings of Finance and Accounting, Risk and Internal Controls and Governance Framework and sets out a four year cyclical schedule of reviews. The first reviews are scheduled to be presented to the Committee in August 2020.

9.5 Other activities

In addition to the Committee's specific responsibilities as referred to in its Charter, the Committee considered several other matters during the year ended 30 June 2020 as follows:

- Emergency Preparedness – Exercise Eris Multiple Agency hypothetical terrorist incident response (November 2019)
- Combustible Cladding Updates throughout the year
- Tree Management report - (November 2019)
- Significant Risk identification (November 2019)
- Insurance renewal report (August 2019)
- Queen Victoria Market precinct renewal report (November 2019; May 2020)
- Resilience to Cyber-attack report (November 2019)
- Legal Counsel presentation (November 2019)
- Gifts, benefits and hospitality register and conflicts of interest (February 2020)
- Proposed Borrowing Policy (February 2020)
- Auditor independence (February 2020)
- Councils and Emergencies Capability and Capacity Evaluation Report (February 2020)

10. Audit and Risk Committee Effectiveness Survey

In June 2020, a self-assessment survey was completed by members of the Committee and Council officers who have regular interaction with Committee. The survey is structured to cover the following areas:

- Charter.
- Member skills and experience.
- The City's Risk Management Framework and legislative and policy compliance arrangements.
- Meeting administration and conduct.
- Communications to Council.
- Quality of management reports to Committee.
- Internal Audit.
- External Audit.
- Committee effectiveness.

The results of the survey are attached at Appendix 2. The survey was sent out to the all Committee members and nine officers for completion. Twelve responses were received.

In broad terms there was a strong positive response from all respondents, resulting in an overall score of four which was the highest possible score.

The overall rating for 2019-2020 was 89.58 per cent (2014-2015 77 per cent, 2015-2016 82 per cent, 2016-2017 88 per cent, 2017-2018 89 per cent, and 2018-2019 92 per cent).

Respondents were also asked to make comments on each of the main sections and these are included in Appendix 3 and will be considered as opportunities for improvement by the Committee. These will not form part of the published report.

11. 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's operations.

12. Thanks

I would like to thank Councillors, fellow independent members and Council staff for their contribution and support to the Committee during the 2019-2020 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
27 July 2020

Appendix 1: Committee responsibilities under its charter 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 2019–2020 the following papers were presented to the Audit and Risk Committee:

- Significant Risk report (November 2019);
- Fraud Risk management report (November 2019)
- Risk Management report (May 2020)
- Fraud, Corruption and 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 (November 2019, May 2020)

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 Eris, which was undertaken in May 2019 (Report to August 2019 meeting). The Chair of the Committee, Geoff Harry attended and observed the exercise and reported back to the Committee.

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

An Internal Control Framework was developed to provide a comprehensive cyclical schedule for Committee review of Internal Control elements. See main report section 9.4 for more detail.

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 Governance and Legal 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 Contract management, Rates and Valuations, and Parking and Street Trading Permits.

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

NTT (formerly known as Oakton) continued to provide internal audit services throughout 2019-20. The internal auditor provided its statement of independence to the February 2020 meeting. Considerable work was undertaken reviewing and improving the Internal Audit plan throughout the year. The Committee met with NTT 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.

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 2019-2020, and also for the subsidiary companies. The external auditor's Client Strategy for year ending 30 June 2020 was presented to the Committee at the February 2020 meeting. The Committee considered the final management letter issued in August 2019 after the conclusion of the 2018- 2019 audit and also the Interim management letter (for the audit for 2019-2020) at the Committee in May 2020. 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 regular reports from the subsidiary companies' Audit and Risk Committees related to audit activity and changes in risk profile. The Committee also oversaw, at a high level, fulfilment of annual financial reporting obligations of all Council controlled entities.

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 Report to Council.

Summary of activity undertaken

At its special meeting in August 2019 the Committee examined in detail the Financial Report of the City of Melbourne and its subsidiaries and the consolidated Financial Report for the group. The adoption of the 2018-2019 consolidated financial Report 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 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 2018-2019 was forwarded to Council in October 2019.

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 October 2019.

The annual Committee performance report presented to Council in October 2019 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 May 2020 and a number of changes were made in light of the changes to the Committee's responsibilities made by *Local Government Act 2020*.

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.

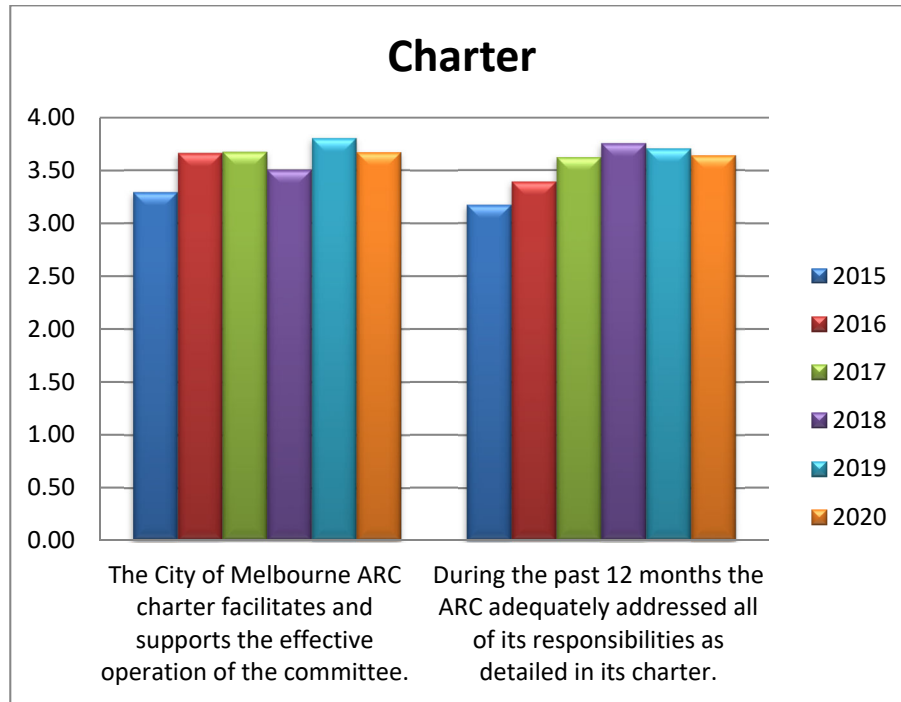
Summary of activity undertaken

The 2019-2020 Annual Committee Performance report was presented to Council in October 2019 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 February 2020, and included reference to the 2019-2022 Internal Audit Plan.

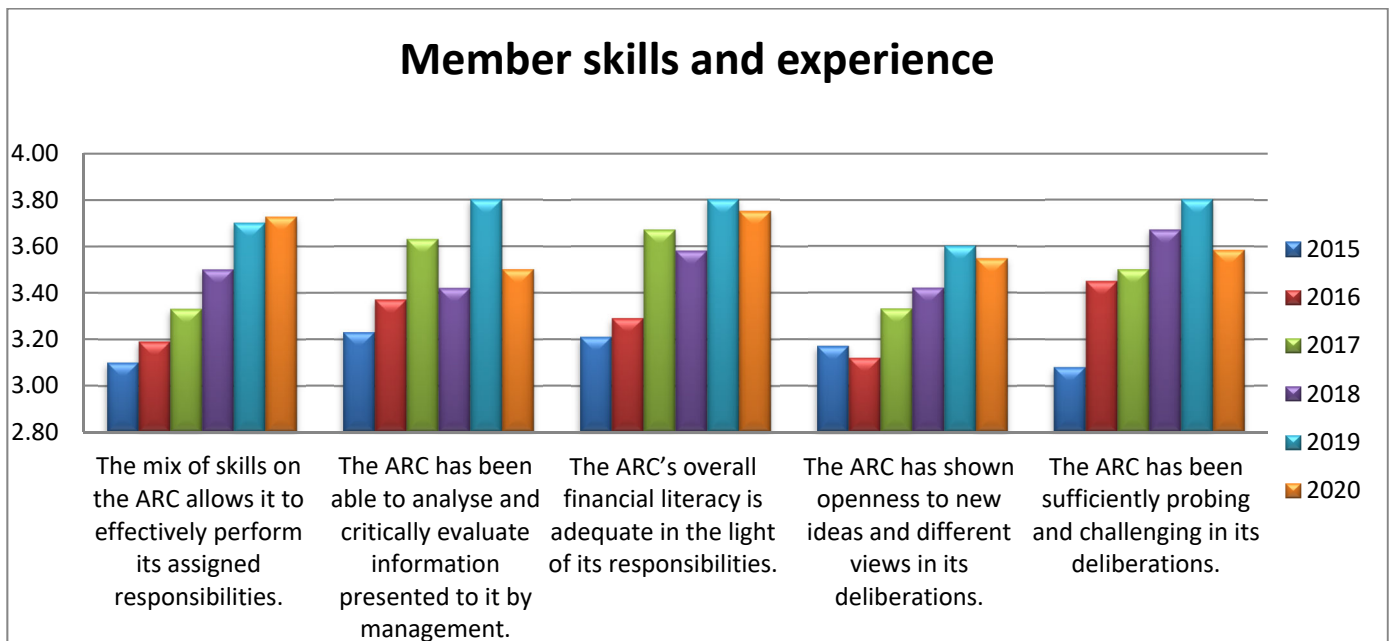
Appendix 2: Self-assessment survey results

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.

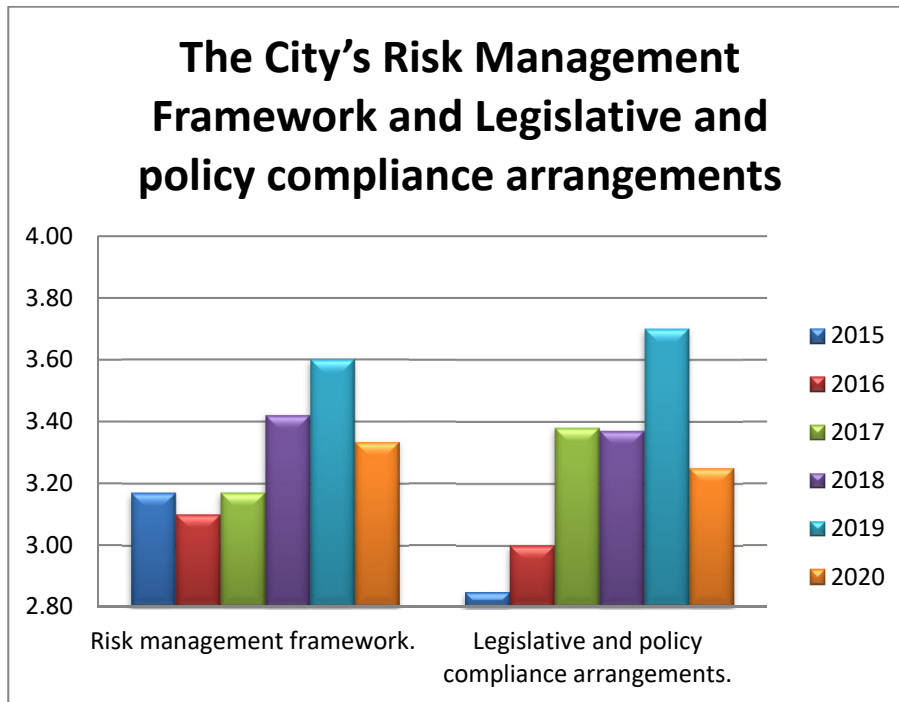
Charter



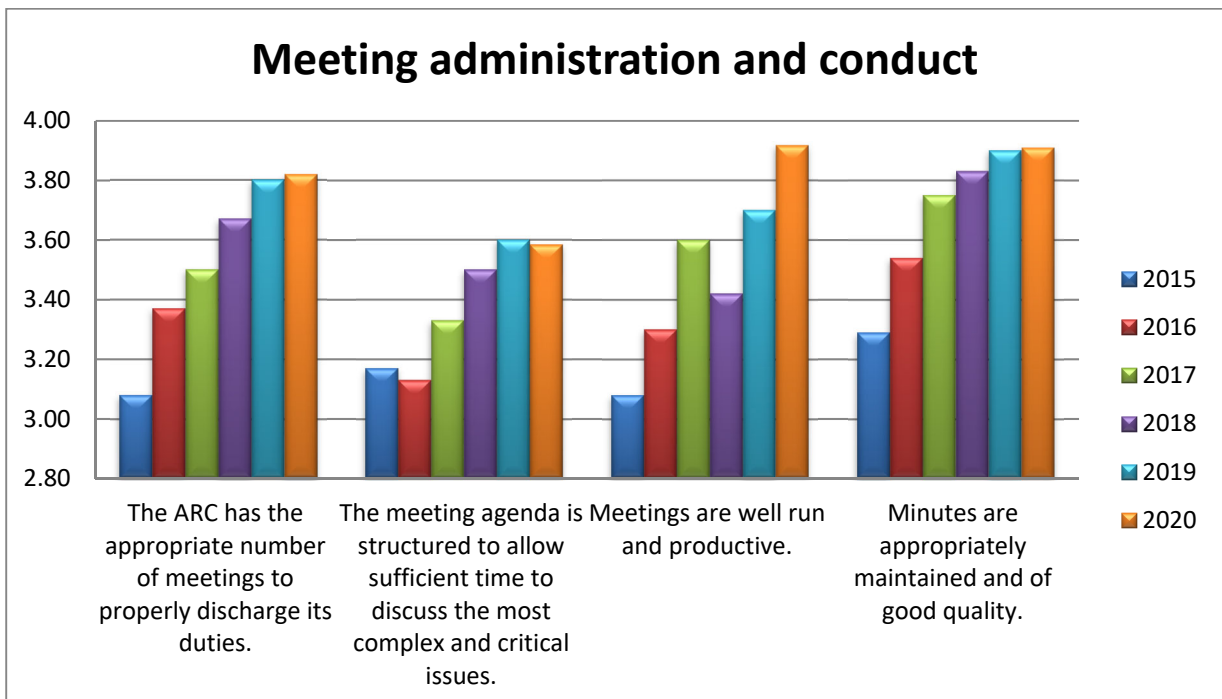
Member skills and experience



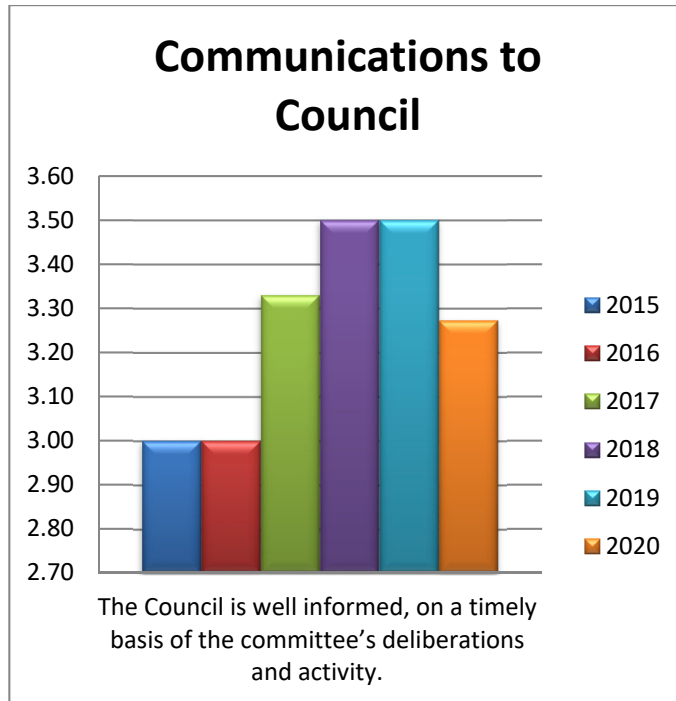
The City's Risk Management Framework and Legislative and policy compliance arrangements



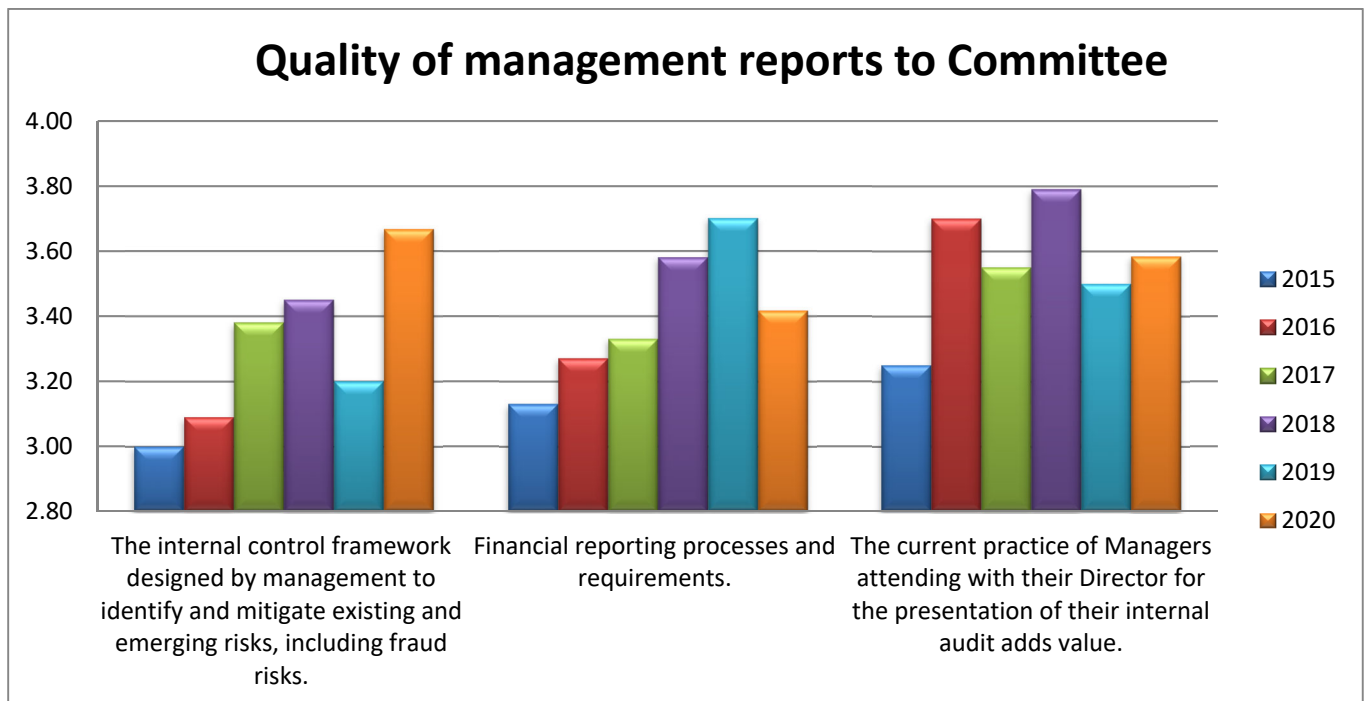
Meeting administration and conduct



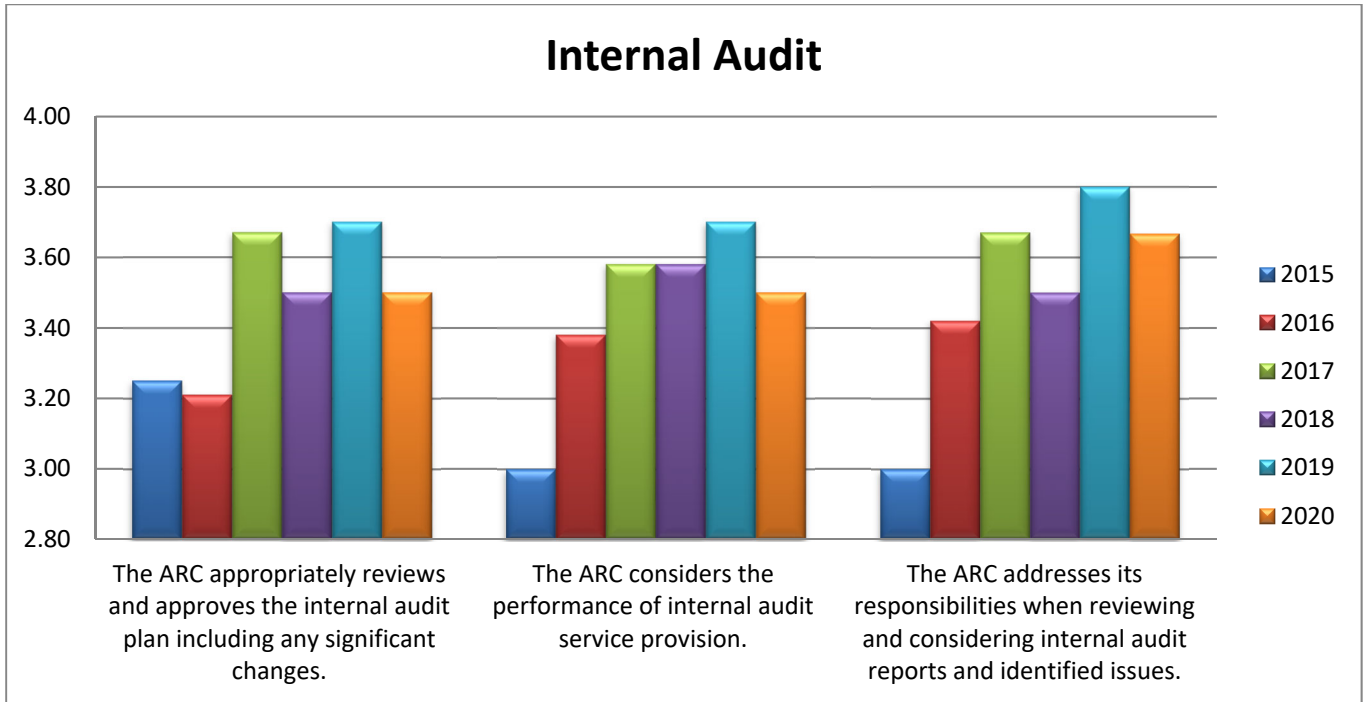
Communications to Council



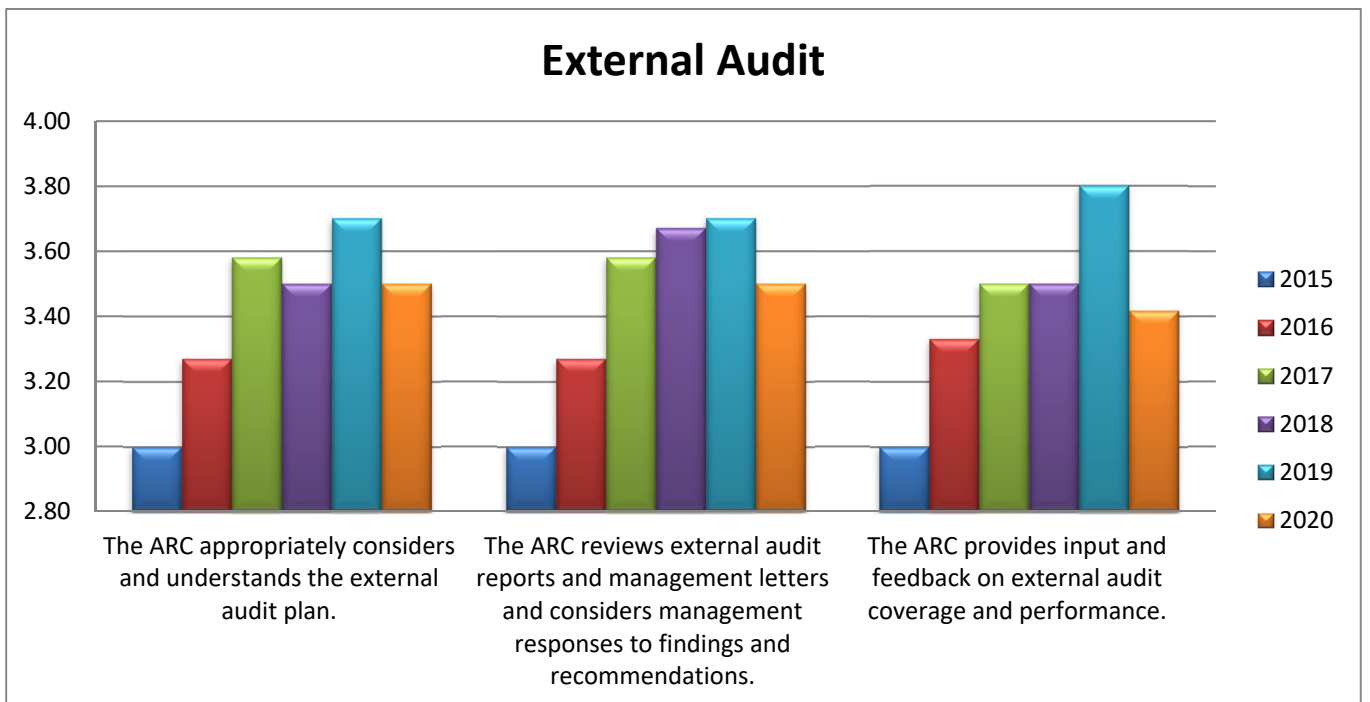
Quality of management reports to Committee



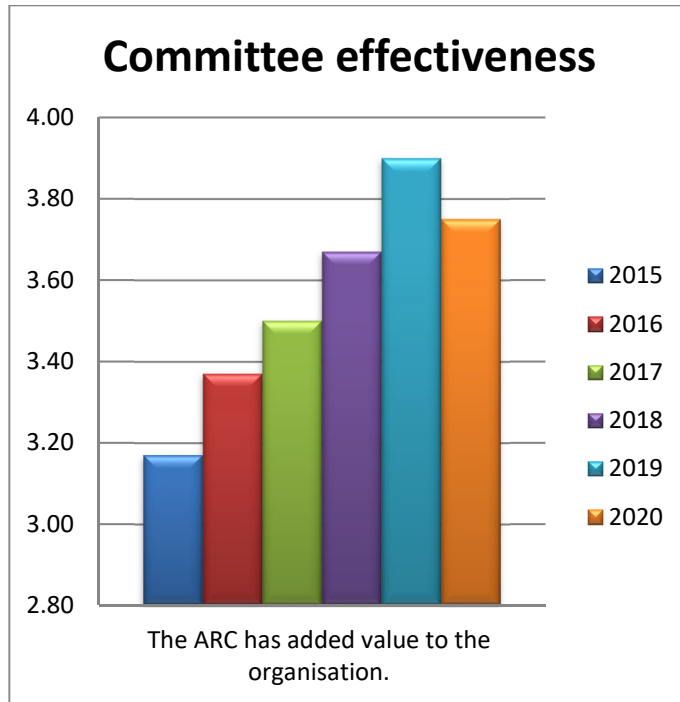
Internal Audit



External Audit



Committee effectiveness



Appendix 3: Audit and Risk Committee Performance Report 2018-2019 – Self Assessment Verbatim Comments

Comments/suggestions for improvement regarding the Committee Charter

- We are often quite pressed. Maybe at the start of the meeting ask attendees to indicate which items they wish to discuss; those not indicated could then be noted or approved without further discussion.

Comments/suggestions for improvement regarding Audit and Risk Committee skills and experience

- I don't think Questions on Notice are working as intended. It was not intended that they give management chance to prepare supplementary written material ahead of the meeting but to come to the meeting prepared to answer the question. The distinction is important because prior written responses allow for issues to be 'closed off', whereas answering verbally on the day allows for a more open exploration of issues.

Comments/suggestions for improvements for understanding the entity

- Risk management framework is moving in a very positive direction.
- I'm looking forward to the IA review outcomes for the RM review underway.
- An annual update from the legal staff on the key legislative requirements would be helpful.

Comments/suggestions for improvement regarding the Audit and Risk Committee meeting administration and conduct

- See my earlier note about time.

Comments/suggestions for improvement regarding communications to Council

- We will need to review how we do this in light of the recent changes to the LGA.
- I don't have visibility over this process.

Comments/suggestions for improvement regarding management input

- We enjoy strong commitment and engagement with Officers.

Comments/suggestions for improvement regarding internal audit

-

Comments/suggestions for improvement regarding external audit

- Limited opportunities for the Committee to provide feedback to EA on performance.

Comments/suggestions for improvement regarding consideration of effectiveness

- I believe we have done this well.