

**Management report to Council**

**Agenda item 6.2**

**Referred documents from the 12 August 2022 and 16 September 2022  
Audit and Risk Committee Meetings**

**Council**

**Presenter:** Michael Tonta, Director Governance

**September 2022**

**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) meetings held on 12 August 2022 and 16 September 2022.
2. Forwarding the unconfirmed minutes from the ARC to Council is a requirement under the ARC's Charter.

**Key issues**

3. The ARC noted that the following matter would be presented to Council:
  - 3.1. The unconfirmed minutes of the 12 August 2022 ARC meeting (refer Attachment 2).
  - 3.2. The unconfirmed minutes of the 16 September 2022 ARC meeting (refer Attachment 3)

**Recommendation from management**

4. That Council notes the unconfirmed minutes of the meetings of the Audit and Risk Committee held on 12 August 2022 and 16 September 2022 as shown in Attachment 2 and Attachment 3 of the report from management.

**Attachments:**

1. Supporting Attachment (Page 2 of 25)
2. Unconfirmed Audit and Risk Committee Minutes 12 August 2022 (Page 3 of 25)
3. Unconfirmed Audit and Risk Committee Minutes 16 September 2022 (Page 15 of 25)

## Supporting Attachment

---

### Legal

1. No direct legal issues arise from the recommendation from management.
2. The ARC is 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.

### 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 material or general conflict of 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.

### Stakeholder consultation

6. 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

7. Consistent with the requirements of the Act and the Charter, the establishment and 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

8. 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.

**MINUTES OF THE MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK COMMITTEE**  
**12 August 2022 at 9.30 am**

The meeting was held in a hybrid format, with a combination of in-person and virtual attendance.

<b>Present</b>	
<b>Members</b>	
Geoff Harry	Chairperson and Independent Member
Stuart Hall	Independent Member
Jen Johanson	Independent Member
Rachel Thomson	Independent Member
Jamal Hakim	Councillor Member
Philip Le Liu	Councillor Member
Davydd Griffiths	Councillor Member
<b>External Attendees</b>	
Chris Braithwaite	Internal Auditor, PwC
Brett Wong	Internal Auditor, PwC
Travis Derricott	External Auditor, Sector Director, VAGO
Jung Yau	External Auditor, VAGO
<b>City Officers</b>	
Justin Hanney	Chief Executive Officer
Michael Tenace	Chief Financial Officer
Michael Tonta	Director Governance
Liam Routledge	Director Finance, Rates and Investments
Ross Goeman	Manager Corporate Performance and Strategic Risk
Tammy D'Souza	Audit and Compliance Specialist
Mia Skinner	Director Procurement and Contract Management
Karn Verma	Commercial Portfolio Manager – Capital Works
Jonathan Kambouris	(Acting) General Manager Property Infrastructure and Design
Alison Baker	Manager QVM Precinct Renewal
Jorja Pindor	Director Waste and Recycling
Evan Counsel	General Manager Strategy, Planning and Climate Change
Tony Gustin	Chief Information Officer
Angela Meinke	Director People, Culture and Leadership
Stacey O'Toole	Chief Digital and Technology Officer
Roger Nicholas	(Acting) Head of Technology Platforms and Engineering

# UNCONFIRMED MINUTES

## 1 Opening of meeting

The meeting commenced at 9:30 am. The Chair provided an acknowledgement to country.

The Chair welcomed new Independent Members Jen Johanson and Rachel Thomson and also new Councillor Member Cr Davydd Griffiths. The Chair also welcomed first time City Officers.

## 2 Apologies

Nil apologies

## 3 Declaration of conflict of interest

Independent member Jen Johanson declared a material conflict of interest for Agenda item 12.4. Fraud and Corruption Prevention Policy and Procedures due to her flexible working relationship with RSM Australia.

## 4 Confirmation of Minutes from Previous Meeting

### 4.1 Confirmation of Minutes of Meeting held on 6 May 2022

The minutes of the meeting held on 6 May 2022 were confirmed without amendment as a true and correct record.

### 4.2 Reports taken as read

The Committee had the opportunity to consider which reports within the agenda were to be discussed. Those items, which were not identified for discussion, were taken as read.

Item	Reports Taken as Read
6.1	Annual Work Plan
8.1	City Recovery and Reactivation Quarterly Risk Report
8.3	Annual Insurance Renewal Report
8.9	Safety Performance Report
9.1	Status Report on Open Audit Actions
9.2	Internal Audit Charter
9.5	Business Continuity Management Internal Audit Scope
10.1	VAGO Status Report
11.1	Local Government Performance Reporting Framework Review
12.1	Internal Control Framework and Overarching Governance Principles
13.1	Legislative Compliance Report
13.2	Governance Claims Report
14.1	Queen Victoria Market Quarterly Report
14.2	Citywide Service Solutions Quarterly Report
15.1	Integrity Agencies Reports

### Outcomes/Actions:

1. All the above reports were noted.

# UNCONFIRMED MINUTES

## 5 Matters arising

### 5.1 Election of ARC Chair

The Director Governance called for the election of a Chair of the City of Melbourne Audit and Risk Committee for the 2022-23 financial year. Independent Member Rachel Thomson nominated the current Chair. There were no further nominations and no objections. The Director Governance declared that Geoff Harry would be reappointed as the Chair for 2022-23. The Chair thanked the Committee.

#### Outcome/Actions:

1. Geoff Harry was reappointed to the position of Chair until 30 June 2023.

### 5.2 Matters considered out of session

The Chair recognised that a considerable amount of work has been completed since the last committee meeting.

Since the last meeting held 6 May 2022, the following matters were considered out of session:

- Review of management of matters carried forward from previous meetings
- Agenda planning for our September and November 2022 meetings
- Member review of proposed revisions to the Internal Audit Charter
- Liaison with our new Audit & Compliance Specialist, Tammy D'Souza
- Council support for increasing the size of the Committee from 5 to 7 members
- Recruitment of two new independent members and one additional Councillor member
- Changes to meeting procedures agreed for matters raised in meetings that need post meeting responses – aim is to declutter the matters arising schedule
- Chair presentation to the Management Leadership Team about the Committee's role and the importance of effective Officer engagement with the Committee– June 2022
- Meeting with Finance and Governance Teams regarding planning and readiness for End of Financial Year and VAGO Audit
- Development of a new member induction pack
- New Committee member Induction meeting – 5 August 2022
- Members provided feedback on papers received. A response was provided back to Committee members prior to the meeting.

#### Outcome/Actions:

1. That the out of session items are captured in the minutes and noted.

### 5.3 Status of matters arising as at 29 July 2022

The Chair noted an improvement to changes made to the document. The Chair also acknowledged the work of Director Governance and Manager Corporate Performance and Strategic Risk on completing items and recognised that with the resolution of items due in November 2022 this is back on track with a reduced schedule of open items.

# UNCONFIRMED MINUTES

## 5.2 Matters arising from Council Meeting (verbal)

Cr Le Liu provided an update on matters arising from recent Council and Committee meetings including the adoption of the Budget 2022-23 and Annual Plan 2022-23. He also advised of the reappointment of Chief Executive Officer Justin Hanney.

Cr Hakim updated the Committee on the establishment of "Experience Melbourne", Neighbourhood Model and a first for a council to endorse, the United Nations Sustainable Development Goals Voluntary Local Review 2022.

### Outcomes/Actions:

1. The Committee thanked Cr Li Liu and Cr Hakim for the update.

## 6 Annual Work Plan

### 6.1 Annual Work Plan

The Annual Work Plan was taken as read.

### Outcomes/Actions:

1. The Committee noted the report.

## 7 CEO Briefing

### 7.1 CEO Update

The Chief Executive Officer update was provided to Committee Members during the informal Committee pre-meeting.

### Outcomes/Actions:

1. The Committee noted the report.

## 8 Risk Management

### 8.1 City Recovery and Reactivation Quarterly Risk Report

The Chief Executive Officer asked the Committee to consider if the report had now served its purpose. Cr Le Liu referred to the weekly data report provided to Councillors. Agreed to continue in current format for the next ARC meeting after which time the report could be phased out.

### Outcomes/Actions:

1. City Recovery and Reactivation Quarterly Risk Report to continue in current format for November 2022 meeting. After this meeting report will be phased out.
2. The Committee noted the report as read.

### 8.2 Quarterly Risk Management Report

The Manager Corporate Performance and Strategic Risk presented the quarterly risk management update. The Committee was informed that recruitment is underway for a Risk Coordinator and the position will be filled soon. Further there are a number of consultants engaged to progress risk strategies and this work has been progressing well.

It was noted that lessons learnt from the Business Continuity exercise will be presented to a future Committee meeting.

## UNCONFIRMED MINUTES

The Chair recognised that with the implementation of a new system the risk program will evolve and provide opportunity for improvement including better reporting. The Chair also noted that the risk program is a key focus for Committee members.

### Outcomes/Actions

1. The Committee noted the report.

### **8.3 Annual Insurance Post-Renewal Report**

#### Outcomes/Actions:

1. The Committee noted the report.

### **8.4 Quarterly Cyber Metrics Report**

The Chief Information Officer presented the Quarterly Cyber Metrics Report highlighting an increase in threat activity and advising that three significant security events had been identified since the report was prepared. These events did not have any significant impact on Council. An integrated Cyber Security program of work has been developed to enhance Council's resilience and to mature capability.

The Committee requested that reporting include how Council is progressing with Essential 8 maturity, cyber controls process and framework.

#### Outcomes/Actions

1. Cyber Metrics report to include an update on progress with managing Essential 8 maturity, cyber controls process and framework to be presented at February 2023 meeting which is the next scheduled update.
2. The Committee noted the report.

### **8.5 Procurement Report**

The Chair recognised that Integrity Agencies report that Procurement is a high risk area and recognised that the report to the Committee and dashboard is useful for tracking how Council maintains a strong monitoring regime over procurement activity. The Director Procurement and Contract Management highlighted that a new platform will be rolled out in the organisation which will enhance processes, understanding performance, risk management and supplier management. Implementation expected to be by end of 22/23 financial year. The Director Procurement and Contract Management advised the Committee that the procurement team is facing challenges in the current climate particularly in construction contracts. The Committee requested further information regarding the management of conflicts of interest identified in the procurement process. The Committee also requested that reporting include further analytics which give understanding to the risks and pressures in the broader procurement space including total spend of projects, risk ratings, whether any risks have materialised and contract renewal.

#### Outcomes/Actions

1. Procurement report to include analytics which gives the Committee a broader understanding of procurement risks and response.
2. The Director Procurement and Contract Management to present at the November Committee meeting on how conflicts of interest are being managed.
3. The Committee noted the report.

## UNCONFIRMED MINUTES

### 8.6 Project Management Framework (PMF) – Implementation Update

The (Acting) General Manager Property Infrastructure and Design presented the report highlighting that since he last presented to the committee the Project Management Framework (PMF) has been approved by the Executive Leadership Team and is being prepared for implementation which includes the purchase of a system to allow for the framework to be implemented across whole organisation. The timeline for commencement of implementation is September 2022. Agreed that Independent Member Stuart Hall and (Acting) General Manager Property Infrastructure and Design meet out of session. Independent Member Stuart Hall will report back to the committee.

#### Outcomes/Actions

1. Independent Member Stuart Hall and (Acting) General Manager Property Infrastructure and Design meet out of session to discuss the implementation, related documentation and measured benefits of the PMF.
2. The Committee noted the report.

### 8.7 Queen Victoria Market Precinct Renewal Program – Risk Summary Report and Business Case Development

(Acting) General Manager Property Infrastructure and Design and Manager QVM Precinct Renewal presented the report highlighting key risks to successful completion of the project – these being disruption, COVID impact and resources. These challenges have included increased in construction costs, material scarcity and procurement challenges. The Committee acknowledged the program risks. The Committee requested a follow up report in February 2023 when it is expected there will be improved clarity around the final business case for the project. Councillor Le Liu advised the committee that the Lord Mayor is briefed monthly on this matter.

#### Outcomes/Actions

1. The Committee requested that (Acting) General Manager Property Infrastructure and Design and Manager QVM Precinct Renewal report back to the Committee in February 2023 to provide an update on the program and in particular project tracking to budget and timelines.
2. Invitation to Lord Mayor for the February 2023 Committee meeting.
3. The Committee noted the report.

### 8.8 Branch Risk Briefing: Waste Management Strategy and Initiative Report

The Director Waste and Recycling presented the report to the Committee. The Committee were informed that strategies also included collaboration with neighbouring councils who have the same issues.

#### Outcomes/Actions:

1. Independent Member Stuart Hall to meet with Director Waste and Recycling out of session to discuss data, costs and strategies. Independent Member Stuart Hall will report back to the Committee.
2. The Committee noted the report.

### 8.9 Safety Performance Report

#### Outcomes/Actions:

1. The Committee noted the report.



# UNCONFIRMED MINUTES

## 9 Internal Audit Management

### 9.1 Status Report on Open Audit Actions

Outcomes/Actions:

1. The Committee noted the report.

### 9.2 Internal Audit Charter

Outcomes/Actions:

1. The Committee noted the report.

### 9.3 Cyber Security Review – Phase 1: Red Team – Status Update following internal audit

The Acting Director Technology and Digital Innovation presented the report and spoke to the progress with implementation of the recommendations.

Outcomes/Actions:

1. The Committee noted the report.

### 9.4 Internal audit status report 2021-22 and 2022/23 plan

Chris Braithwaite from PwC presented the report noting that there are some reports which are still to close out including the Melbourne Recovery Fund (Grants Management) which will be reported to the November 2022 ARC meeting.

Outcomes/Actions:

1. The Committee noted the report.

### 9.5 Business Continuity Management Scope

The Business Continuity Management Scope for the scheduled internal audit review was noted by the Committee. The Committee noted that generally Internal Audit Scope documents are circulated to the Committee out of session and the Committee subsequently endorses Internal Audit Scopes at their next Committee meeting .

Outcomes/Actions:

1. The Committee endorsed the Scope subject to incorporating the feedback provided to management prior to this meeting.

# UNCONFIRMED MINUTES

## 9.6 Cyber Security Maturity Assessment Phase 2: Cyber Governance Framework Report

Chris Braithwaite from PwC presented the report to the Committee noting improvement opportunities identified. There was acknowledgement of lengthy timeframes in the management response however accepted that these were appropriate given what was required. The Committee discussed OVIC attestation which will be due in August. The Committee requested that the Chief Information Officer present on the attestation pathway at the February 2023 Committee meeting.

### Outcomes/Actions:

1. The Chief Information Officer to present on the OVIC attestation pathway at the February 2023 Committee meeting.
2. The Committee noted the report.

## 9.7 Success Factors (HRIS) Pre-Implementation Review (PeopleConnect) Report

Chris Braithwaite from PwC presented the report to the Committee noting improvement opportunities identified. The Chief Information Officer reported to the Committee on the strategies moving forward in relation to the project and audit findings. It is planned to go live in November 2022 or February 2023 depending on testing outcomes. The Committee requested that a verbal update be provided in the CEO update at the November 2022 Committee meeting.

### Outcomes/Actions:

1. The CEO to report progress back to the Committee in his verbal update at the November 2022 Committee meeting.
2. The Committee noted the report.

## 9.8 Cyber Incident Analysis Review – Report

Chris Braithwaite presented the report to the Committee. It was confirmed that the management response will be monitored and reported in the same way as Internal Audit open actions. The Committee discussed Super User accounts. The Chief Information Officer advised that the policies which include references to Super User accounts are in review. The Committee requested that updated policies be included in the February Committee report.

### Outcomes/Actions:

1. The Chief Information Officer to include in the February 2023 Committee report and update on policy which responds to Super User Accounts.
2. The Committee noted the report.

## 10 External Audit

### 10.1 VAGO Status Report

#### Outcomes/Actions:

1. The Committee noted the report.

# UNCONFIRMED MINUTES

## 10.2 VAGO Interim Management Letter

The Sector Director, VAGO, presented the report and provided a high level update on progress of the financial audit for the year ended 30 June 2022. Various matters were noted:

- Citywide and QVM are on track for completion within the scheduled time line.
- Outstanding recommendations from previous year financial audits are expected to be closed by November 2022.

The Chair requested that the action carried forward from the previous year audit in relation to controls over bank reconciliations for QVM be completed by November 2022.

### Outcomes/Actions:

1. Interim Management Letter for the year ended 30 June 2022 Audit Finding Ref 2021.2 Aged reconciling items in bank reconciliation – Management Response to be completed by November 2022.
2. The Committee noted the report.

## 11 Financial Performance & Reporting

### 11.1 Local Government Performance Reporting Framework Review

#### Outcomes/Actions:

1. The Committee noted the report.

## 12 Internal Control Framework

### 12.1 Internal Control Framework and Overarching Governance Principles

This report was discussed during the consideration of matters arising from previous meetings and the Chair noted a concern about the proposed action having a completion date of May 2023. It was proposed that an update be provided at the November Committee meeting for:

1. an updated ICF review plan; and
2. a proposal that will allow the Committee to receive regular reports on alignment of new and refreshed policies and procedures with the Overarching Governance Principles..

#### Outcomes/Actions:

1. The Chair requested that an updated Internal Controls Framework review plan be provided at the November 2022 meeting.
2. A report to the November 2022 meeting on how to provide the Committee with evidence that Council's policies and procedures are aligned with the Overarching Governance Principles.
3. The Committee noted the report

### 12.2 Investment and Strategic Policy

The Director Finance and Investments presented the report to the Committee and highlighted that the Finance Team is working on a consolidation of various policies with a view to rationalisation of the number of policies. The Chair requested a report back to the Committee in November 2022.

#### Outcomes/Actions:

## UNCONFIRMED MINUTES

1. Director of Finance and Investments to provide an update to the Committee on Finance policies at the November 2022 Committee meeting.
2. The Committee noted the report.

DRAFT

# UNCONFIRMED MINUTES

## 12.3 Wholly Owned Subsidiary Companies Protocol

The Director Finance and Investments presented the report to the Committee. The Committee discussed the proposed revisions to the protocols. It was agreed that the ARC charter should explain the Committee's responsibilities in relation to the subsidiary companies. The revised protocol is presented to the Finance, Governance and Risk Portfolio Committee for review prior to being presented to Council for endorsement.

### Outcomes/Actions:

1. Manager Corporate Performance and Strategic Risk to ensure that a review of the ARC Charter considers the Committee's responsibilities in relation to Wholly Owned Subsidiaries.
2. The Committee to submit their feedback on the protocol out of session.
3. The Committee noted the report.

## 12.4 Fraud and Corruption Prevention Policy and Procedures

### Outcomes/Actions:

1. The Committee noted the report.

## 13 Governance and Compliance

### 13.1 Legislative Compliance Report

#### Outcomes/Actions:

1. The Committee noted the report

### 13.2 Governance and Claims Report

#### Outcomes/Actions:

1. The Committee noted the report

## 14 Subsidiary company reporting

### 14.1 Queen Victoria Market Quarterly Report

#### Outcomes/Actions:

1. The Committee noted the report.

### 14.2 Citywide Service Solutions Quarterly Report

#### Outcomes/Actions:

1. The Committee noted the report.

# UNCONFIRMED MINUTES

## 15 Integrity body Reports

### 15.1 Findings from Integrity Agencies 1 April 2022 to 30 June 2022

#### Outcomes/Actions:

1. The Committee noted the report.

## 16 Other Business

### 16.1 New Committee Member Induction Pack

The Director Governance noted that the Committee Induction Pack was being updated and would be ready for use upon the commencement of future new members.

#### Outcomes/Actions:

Nil

### 16.2 Other Matters

No other matters noted.

## 17 Matters for presentation to the next/upcoming Council meeting

#### Outcomes/Actions:

Nil

## 18 Discussion on Meeting Outcomes

Independent Member Rachel Thomson commended the capability and quality of the City Officers who presented reports at the meeting. She requested that the new Committee members be provided with presenter details attached to the agenda. The Committee noted the large amount of work involved for the Technology & Digital Innovation (TDI) strategy. The Committee agreed it would be beneficial for their report to the Committee in February include a dashboard highlighting the 10 largest projects in progress.

#### Outcomes/Actions:

1. Future agendas to include an attachment which lists city officers attending and their position.
2. Technology & Digital Innovation to draft dashboard reporting for the Committee of the 10 largest projects in progress as part of the reporting for the February 2023 meeting.

## 19 Future Meetings

The next meeting is scheduled for 16 September 2022.

## 20 Meeting close

The meeting concluded at 12.54pm.

Chairperson  
Audit and Risk Committee  
City of Melbourne

**UNCONFIRMED MINUTES****MINUTES OF THE MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK COMMITTEE  
16 September 2022 at 9.30am**

<b>Present</b>	
<b>Members</b>	
Geoff Harry	Chairperson and Independent Member
Stuart Hall	Independent member
Rachel Thomson	Independent member
Jen Johanson	Independent member
Jamal Hakim	Councillor member
Philip Le Liu	Councillor member
Davyyd Griffiths	Councillor member
<b>External Attendees</b>	
Debbie Dowling	Chief Financial Officer, QVM
Jane Fenton	Chair of the Board and Chair of Redevelopment Committee, QVM
Sandy Chakravarty	Chair of Risk and Audit Committee, QVM
Chris Campbell	Chief Executive Officer, Citywide
Harvey Walker	Group Financial Controller, Citywide
Andrea Waters	Chair of Audit and Finance Committee, Citywide
Travis Derricott	External Auditor, VAGO
Jung Yau	External Auditor, VAGO
<b>City Officers</b>	
Michael Tenace	Chief Financial Officer
Michael Tonta	Director Governance
Tony Gustin	Chief Information Officer
Liam Routledge	Director Finance & Investment
Alan Wilson	Financial Controller
Ross Goeman	Manager Corporate Performance and Strategic Risk
Tammy D'Souza	Audit and Compliance Specialist
<b>Apologies</b>	
<b>City Officer</b>	
Justin Hanney	Chief Executive Officer
Stan Liacos	Chief Executive Officer, QVM
Paul Hudson	Chief Financial Officer, Citywide

# UNCONFIRMED MINUTES

## 1 Opening of meeting

The meeting commenced at 9:40am. The Chair provided an acknowledgement to country.

## 2 Apologies

Justin Hanney, City of Melbourne Chief Executive Officer  
Stan Liacos Queen Victoria Market Chief Executive Officer; and  
Paul Hudson Citywide Chief Financial Officer

## 3 Declaration of conflict of interest

There were no declarations of conflicts of interest.

## 4 Confirmation of Minutes from Previous Meeting

### 4.1 Confirmation of Minutes of Meeting held on 12 August 2022

The Minutes of the meeting held 12 August 2022 were confirmed as a true and correct record. It was recognised that there was pre-work completed prior to the meeting by both Committee members and City Officers. It was requested that this work be reflected in the Minutes. Moved by Independent Member Rachel Thomson seconded Independent Member Jen Johansen.

#### Outcomes/Actions:

1. An additional comment be added to the Minutes that Committee members asked questions on the papers received. A response was provided back to Committee members prior to the meeting.
2. The minutes of the meeting held on 12 August 2022 were confirmed.

### 4.2 Reports Taken as Read

The Committee had the opportunity to consider which reports within the agenda were of interest for discussion. Those items, which were not identified for discussion, were taken as read.

Item	Reports Taken as Read
6.1	Annual Work Plan 2023

#### Outcomes/Actions:

1. The above reports were taken as read.



**UNCONFIRMED MINUTES**

2. The Chair confirmed that since the meeting papers had been circulated to Committee members, the following late reports had been distributed to members.

<b>Item</b>	<b>Late Reports Received</b>
5.1	Status of Matters Arising Schedule – minor changes
8.4	QVM VAGO Closing Report – now signed
9.4	Citywide – VAGO Closing Report – now signed
9.5	Citywide – VAGO Final Management Letter – now signed
10.2	Group AFR – two updates – minor disclosure changes
10.6	Member Feedback Schedule with Management Responses
10.7	Group AFR – VAGO Closing Report – signed, but audit not complete10.7

## **5 Matters arising**

### **5.1 Status of matters arising as at 29 August 2022**

The Chair noted that items 2.1 and 2.2 on the Matters Arising Schedule will be closed by the end of this meeting.

It was confirmed that items noted to be completed prior to November 2022 will be resolved prior to the meeting or if not resolved added as agenda items for the November meeting.

#### Outcomes/Actions:

1. The Committee noted the report and the above items as closed.

### **5.2 Matters arising from Council Meetings (no report)**

No report was provided. Matters arising from Council Meetings will be next discussed at the November meeting.

### **5.3 Matters considered out of session**

Matters considered out of session were as follows:

- The Chair met with the QVM and the Citywide Audit and Risk Committee Chairs on 30 August 2022.
- Committee members reviewed the draft Annual Financial Reports for the Council and its subsidiaries and provided feedback to the Council's Finance team prior to the meeting.

#### Outcomes/Actions:

1. That the out of session items are captured in the minutes and noted.

## UNCONFIRMED MINUTES

### 6 6.1 Annual Work Plan

#### Outcomes/Actions:

1. The Committee noted the report as read.

### 7 7.1 Internal Audit Plan

No report was provided. The Internal Audit plan will be next discussed at the November meeting.

*The Queen Victoria Market representatives joined the meeting at 9:52am.*

### 8 Queen Victoria Market (QVM)

#### 8.1 QVM Annual Financial Report 2021-22

The Chair welcomed the QVM representatives. Chair of the QVM Audit and Risk Committee, confirmed that the QVM Annual Financial Statements have been approved by the QVM Board and signed off by VAGO.

The QVM CFO summarised QVM's financial performance for the 2021-22 year, providing information regarding the effect of COVID-19 and the associated challenges, including rent relief support for traders, two periods of market closures and loss of night market revenues. The CFO also noted that the market redevelopment continues to have a significant impact particularly related to the Food Hall and some Sheds due to current closure for restoration. These are expected to reopen in December 2022 or January 2023.

COVID recovery initiatives planned for 2022-23 include recommencement of Night Markets. The 2022-23 budget has made no allowances for trader rent relief and alternative non-financial support will be provided to traders. Increased customer numbers on weekends are evident and tourism attendances are also increasing. All lockable tenancies have been leased and all available sheds have been leased for weekends.

A discussion of QVM's risk profile highlighted the fact that there are delays with the redevelopment project resulting from broader economic issues such as supply chain difficulties and availability of labour. Concern was expressed about the impact of these matters on trader viability and customer attendances. In addition, increased traffic congestion around the market is impacting on visitor attendance. These matters should be a focus for the six monthly update to the Committee by Council's market renewal team at November's ARC meeting. The two new Independent Committee members may need a catch up briefing on the renewal program, prior to the November meeting.

QVM also announced that Debbie Dowling, CFO has resigned and will leave her role in November 2022. The Chair thanked Debbie for her contributions to the City of Melbourne's Committee over a long period of time.

QVM responded to a number of questions regarding the Annual Financial Report and QVM operations. The Committee were satisfied with the responses.

The Chair thanked the QVM representatives for their attendance.

#### Outcomes/Actions:

1. Prior to November meeting the new Independent Committee members to be given a catch up briefing regarding the renewal program.

# UNCONFIRMED MINUTES

2. Request the QVM program renewal presentation in November 2022 include commentary about the risk exposures noted in the above discussion.
3. The Committee notes the Executive Summary in relation to the financial performance of QVM for the year ended 30 June 2022.
4. The Committee notes the Annual Financial Report of the QVM for the year ended 30 June 2022.
5. The Committee notes that the matters raised by Committee members prior to the meeting regarding the Annual Financial Report have been resolved satisfactorily.

## 8.2 QVM Management Representation Letter to VAGO

### Outcomes/Actions:

1. The Committee notes the Officer attestations to VAGO in respect to the Annual Financial Report for the year ended 30 June 2022.

## 8.3 QVM Management Representation Letter to Melbourne City Council

### Outcomes/Actions:

1. The Committee notes the Officer attestations to Council in respect to the Annual Financial Report for the year ended 30 June 2022.

## 8.4 QVM External Auditor's Closing Report

After the QVM team left the meeting, VAGO advised that the cash flow statement included in the Board approved 2021/22 annual financial statements requires some minor adjustments. VAGO advised that it noted these matters during its final review process and was working with the QVM CFO to resolve these matters and then for the revised annual financial statements to be resigned by the Board. An update report will to be provided to the Committee when these revisions have been finalised. VAGO highlighted that the revisions do no impact the net operating result for the year nor the balance sheet.

### Outcomes/Actions:

1. The Committee notes the VAGO Closing Report for the year ended 30 June 2022, and in doing so, notes that VAGO expects to issue a clear opinion on the Annual Financial reports for the year ended 30 June 2022.

## 8.5 QVM External Auditor's Final Management Letter

VAGO advised that the Final Management Letter for 2021-22 has not been issued.

*The Queen Victoria Market representatives left the meeting at 10:30am.*

*The Citywide representatives joined the meeting at 10:35am.*

# UNCONFIRMED MINUTES

## 9 Citywide Service Solutions Pty Limited

### 9.1 Citywide Annual Financial Report 2021-22

The Chair welcomed the Citywide representatives. The Chair of Citywide's Audit and Finance Committee, stated that Citywide's Board had approved the Annual Financial Statements for the year ended 30 June 2022 on 30 August 2022 and that VAGO had issued an unqualified audit opinion on those Financial Statements.

Citywide's CEO highlighted that the Board were satisfied with the performance of the company in a very challenging period.

The waste resourcing businesses had been particularly challenging which resulted in the Board being unable to capitalise on opportunities.

The CEO also advised that a new approach to payment of dividends had been agreed with the shareholder, which would see an interim dividend of \$2 million paid for the half year to 31 December 2022.

He also advised that the company is now well placed to reap the benefits of recent business acquisitions and with recent investment in people and systems is well placed to implement new initiatives that are expected to make significant improvements in staff culture and performance.

Further significant challenges are expected in 2022/23 due to the impacts of inflation, supply chain delays and labour market issues

Citywide responded to a number of questions regarding the Annual Financial Report and Citywide's operations. The CEO agreed to provide additional information related to the profitability of Citywide's various business streams for 2021-22. The Committee were satisfied with the responses.

#### Outcomes/Actions:

1. Citywide to include in their quarterly reports to the Committee the contributions of each of Citywide's business streams to the overall results.
2. The Committee notes the Executive Summary in relation to the financial performance of Citywide for the year ended 30 June 2022.
3. The Committee notes the Annual Financial Report of the Citywide for the year ended 30 June 2022
4. The Committee notes that the matters raised by Committee members prior to the meeting regarding the Annual Financial Report have been resolved satisfactorily
5. The Committee notes the Officer attestations to Council in respect to the Annual Financial Report for the year ended 30 June 2022

# UNCONFIRMED MINUTES

## 9.2 Citywide External Auditor's Closing Report

VAGO provided feedback to the Committee that the year end audit visit went well and was completed within agreed timelines and there was a positive relationship with Citywide management.

### Outcomes/Actions:

1. The Committee notes the VAGO Closing Report for the year ended 30 June 2022, and in doing so, notes the unqualified audit opinion for the year ended 30 June 2022.

## 9.3 Citywide External Auditor's Final Management Letter

The Committee noted that the VAGO final management letter had been received by Citywide and did not include any significant matters.

### Outcomes/Actions:

1. The Committee notes the VAGO Final Management Letter for the year ended 30 June 2022.

*The Citywide representatives left the meeting at 11.07am*

*The Committee took a break at 11:07am, returning at 11:10 am*

## 10 Melbourne City Council

### 10.1 Melbourne City Council Executive Summary

The CFO presented an overview of Council's consolidated financial performance for the year ended 30 June 2022.

Continued COVID-19 challenges have had a significant impact on revenue earned during lockdown and there have been negative impacts on expenses in order to provide additional services and funding in supporting the City in relation to recovery and reactivation activities.

In relation to the subsidiary companies the CFO noted that QVM had been significantly impacted by COVID-19 lockdowns and in providing support to traders. Council has been well placed to support them. He also noted that Council is currently undertaking a strategic forward looking review of the future of Citywide and a report on this is expected to be submitted to Council in November 2022.

He also noted that no material accounting standards changes occurred in 2021-22. Substantial activity in the recovery and reactivation fund is still to be delivered due to delays caused by the process on agreeing initiatives with the State.

### Outcomes/Actions:

1. The Committee notes the Executive Summary in relation to the financial performance of the City of Melbourne for the year ended 30 June 2022

# UNCONFIRMED MINUTES

## 10.2 Melbourne City Council Consolidated Annual Financial Report 2021-22

The Chair noted that the annual financial report and the annual performance statement for 2021/22 had been shared with Committee members prior to the meeting for their review and feedback. This process was coordinated by the Chair and a schedule of review points had been provided to the Finance Team for responses. The Finance Team provided responses in writing also prior to the meeting on the review points raised. Members were given the opportunity to raise further questions on responses provided. Key matters raised in this discussion were:

- 1) Significant parking infringement debtor write-offs. The CFO noted that these write-offs occur largely due to the performance of Fines Victoria who is responsible for management and collection of parking infringements in Victoria. The Committee asked that the CEO of Fines Victoria be invited to attend a Committee meeting to discuss concerns about collection performance and how it may be improved
- 2) The large amount of the 2021/22 capital expenditure programme to be carried forward into the 2022/23 budget
- 3) In the context of Council's longer term budgets, the Committee requested a briefing from the CFO at the next meeting on the 2022/23 budget and the longer term budget outlook (five years) to better understand Council's ongoing financial projections, bearing in mind the many pressures on Council's resources.

### Outcomes/Actions:

1. An invite to the CEO of Fines Victoria to attend at an Audit and Risk Committee in the future to consider opportunities for improving parking infringements collections managed by Fines Victoria.
2. CFO to provide a briefing at the next meeting on the 2022/23 budget and the longer term budget outlook (five years) to better understand Council's ongoing financial projections, bearing in mind the many pressures on Council's resources. .
3. The Committee notes the Consolidated Annual Financial Report of the City of Melbourne for the year ended 30 June 2022.
4. The Committee notes that the matters raised by Committee members prior to the meeting regarding the Annual Financial Report have been resolved satisfactorily
5. Following clearance of review points raised by Committee members on all reports, the Committee recommends that Council approves 'in-principle' the 2021/22 Group Annual Financial Report.
6. The Committee requests that it be provided with final copies of the Consolidated Annual Financial Report for the year ended 30 June 2022

# UNCONFIRMED MINUTES

## 10.3 Melbourne City Council Management Representation Letter to VAGO

### Outcomes/Actions:

1. The Committee notes the Officer attestations to VAGO in respect to the Consolidated Annual Financial Report and the Annual Performance Statement for the year ended 30 June 2022

## 10.4 Melbourne City Council Management Representation Letter to Council

### Outcomes/Actions:

1. The Committee notes the Officer attestations to Council in respect to the Consolidated Annual Financial Report and the Annual Performance Statement for the year ended 30 June 2022.

## 10.5 Melbourne City Council Annual Performance Statement

Report was noted by the Committee

### Outcomes/Actions:

1. The Committee notes the Annual Performance Statement of the City of Melbourne for the year ended 30 June 2022.
2. Following clearance of review points raised by Committee members, the Committee recommends that Council approves 'in-principle' the Council's 2021/22 Annual Performance Statement.

## 10.6 Melbourne City Council Member Feedback on AFR and APS

The Committee raised further discussion points on the following matters:

- a. Citywide acquisitions
- b. QVM ongoing financial viability
- c. Council parking infringement write-offs
- d. Council's financial performance indicators.

All points were addressed during the meeting.

### Outcomes/Actions:

1. The Committee notes that the matters raised by Committee members prior to the meeting have been resolved satisfactorily.

# UNCONFIRMED MINUTES

## 10.7 Melbourne City Council External Auditor's Closing Report

VAGO advised that due to resourcing constraints they have not been able to respond to the tight audit timelines as well as they would have liked to do. They also mentioned that several of the matters listed in the Closing Report as incomplete have now been completed, leaving only a small number of matters still to be completed and that completion of these matters is progressing satisfactorily.

### Outcomes/Actions:

1. The Committee notes the interim VAGO Closing Report for the year ended 30 June 2022, and that some audit procedures are not yet complete. Also, that VAGO will issue a final Closing Report and Final Management Letter when the audit has been completed. Also, that VAGO has advised that it expects to provide a confirming opinion on the consolidated annual financial statements and Council's annual performance statement for 2021/22.

## 10.8 Melbourne City Council External Auditor's Final Management Letter

The External Auditor's Final Management Letter VAGO has not been issued.

## 11 Other Business

### 11.1 Annual Activity Report to Council

Report was taken as read.

### Outcomes/Actions:

1. The Committee endorsed the report.

### 11.2 Governance and Management Checklist

Report was taken as read. The Committee questioned the dates reported for items GC7, GC8 GC14 and GC16. Management will revise the Checklist to reflect the most recent date the items were reviewed.

### Outcomes/Actions:

1. Manager Corporate Performance and Strategic Planning to review the dates reported and revise the Checklist.
2. The Committee noted the report.

### 11.3 Agenda for Next Meeting (verbal)

Noted that there will be a large number of items for the agenda next meeting due to multiple items for consideration from carried forward Matters Arising and Internal Audit Plan.

### 11.4 Other Matters (verbal)



# UNCONFIRMED MINUTES

## 12 Future Meetings

The Committee noted that they would like to be able to review the annual financial statements for the two subsidiaries before they are signed by their Boards. This will allow the Committee to provide comment if necessary, before the statements are approved. The Committee acknowledged that there may be sensitivities of timing around when financial reports are released to Council.

### Outcomes/Actions:

1. CFO to meet the Chairs of the subsidiary ARCs to explore the opportunity for Council's ARC to review the subsidiary AFRs prior to their Boards approving.

## 13 Committee meeting with External Auditors in the absence of management

The Committee met with the external auditors without management present. No issues of concern were raised by the auditors.

## 14 Meeting close

The meeting concluded at 12.40pm

Chairperson  
Audit and Risk Committee  
City of Melbourne