

Management report to Council

Agenda item 6.6

Referred Documents from the February 2020 Audit and Risk Committee meeting

Council

Presenter: Keith Williamson, General Manager Governance and Organisational Development

26 May 2020

Purpose and background

1. The purpose of this report is to advise Council of the outcomes of the Melbourne City Council Audit and Risk Committee (ARC) meeting held on 14 February 2020.
2. Forwarding the minutes from the City of Melbourne ARC to Council is a requirement under its charter. In addition the Audit and Risk Committee reviews all matters discussed at its quarterly meetings and determines which matters are of relevance for further consideration by Council.

Key issues

3. The ARC noted that the unconfirmed minutes of the February 2020 ARC meeting (refer Attachment 2) would be presented to Council.

Recommendation from management

4. That Council notes the minutes of the meeting of the Audit and Risk Committee (ARC) held on 14 February 2020.

Attachments:

1. Supporting Attachment (Page 2 of 10)
2. Unconfirmed minutes of the meeting of the Audit and Risk Committee held on 14 February 2020 (Page 3 of 10)

Supporting Attachment

Legal

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

Finance

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

Conflict of interest

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

Health and Safety

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

Relation to Council policy

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

Environmental sustainability

7. There is no significant impact on environmental sustainability.

**MINUTES OF THE MEETING OF THE CITY OF MELBOURNE AUDIT AND RISK COMMITTEE
FRIDAY 14 FEBRUARY 2020**

PRESENT

Members

Geoff Harry (Chair)
Therese Ryan
Stuart Hall
Cr Arron Wood (left 9.40am, returned 10.40am)

City of Melbourne

Justin Hanney	Chief Executive Officer (left 9.50am, returned 10.50am, left 12.01pm)
Keith Williamson	General Manager Governance and Organisational Development
Michael Tenace	Chief Financial Officer
Liam Routledge	Director Finance and Investment (arrived 11:45am)
Marlo Emmitt	Director Governance
Dale Ashley	Coordinator Risk Management
Cecilia Digenis	Internal Audit Officer
Evan Counsel	Director Planning and Building (arrived 9.45am, left 9.55am)
Jo Wandel	Director Property (arrived 9.55am, left 10am)
Chris Lamont	General Manager Capital Projects and Infrastructure (arrived 10.10am, left 10:23am)
Jonathan Kambouris	Director Capital Works (arrived 10.10am, left 10:23am)
Linda Weatherson	General Manager Community and City Services (arrived 10.24am, left 10.55am)
Dean Robertson	Director On-street Support and Compliance (arrived 10.24am, left 10.46am)

VAGO

Sanchu Chummar Senior Manager Audit Quality (left 12.01pm, returned 12.05pm)

NTT - Internal Audit

David Fraser	Partner
William Cheung	Senior Manager

Apologies

Cr Philip Le Liu

1. Opening of Meeting

The meeting opened at 9.40am.

2. Apologies

Cr Philip Le Liu sent his apology.

Cr Arron Wood informed the meeting that he had to leave the meeting for an hour. The Chair agreed that the Committee would consider items while he was absent and decisions would be made and finalised when he returned.

3. Declarations of Conflicts of Interest

There were no declarations of conflicts of interest.

4. Minutes and matters arising

4.1 Confirmation of minutes of meeting held on 15 November 2019

The minutes of the meeting held on 15 November 2019 were confirmed with no amendments.

Evan Counsel, Director Planning and Building entered the meeting at 9.45am.

4.2 Matters arising – Combustible cladding update

Evan Counsel, Director Planning and Building, provided an update to the Committee on the progress with the Neo200 building fire and combustible cladding rectification. Work was on track to be completed by 30 September 2020. Cladding Safety Victoria (CSV) had appointed a Liaison Officer in December 2019 and an MOU between City of Melbourne and CSV was in the final stages of development. Two funding rectification agreements had been signed and 26 further CoM buildings were currently being assessed for funding. A further report will be presented to the May 2020 meeting of the Committee.

The Committee noted the report

Evan Counsel, Director Planning and Building left the meeting at 9.55am.

Joanne Wandel, Director Property entered the meeting at 9.55am.

4.3 Matters arising – CH1 Hazardous materials removal

Joanne Wandel, Director Property, spoke to the report and in response to questions assured the Committee that the contractor acted as required based on Council's current policy, however the policy would be amended to ensure that the scope of works on any building older than 1980 would include destructive tests before works commenced.

The Committee noted the report.

Joanne Wandel, Director Property left the meeting at 10am.

4.4 Matters arising – Further discussion re EPA and Industrial manslaughter matters

This matter was discussed when the Governance and Legal report was considered.

4.5 Status of matters arising as at 14 February 2020 summary report

The Committee reviewed the Matters arising summary and requested a more specific delivery date for the high-level cyber issues report. It was agreed that this will be provided to the May 2020 meeting. The Chair offered to provide another example of the type of report he is hoping to receive and Therese Ryan indicated that a high level diagram that lays out the system controls to manage IT risks would be helpful and management agreed to pass this request on to the ICT Manager, Technology and Digital Innovation.

4.6 Matters arising from Council

There were no matters at this time.

5. Internal audit

5.1 Internal audit status report as at 28 January 2020

David Fraser, Partner NTT, outlined the progress of the internal audit program showing that the work was on track with two internal audits currently in progress and two currently being scoped. The terms of reference for the latter two would be circulated for Committee approval offline and the audits completed by the end of the financial year for reporting to the 7 August 2020 ARC meeting. It was confirmed that no internal audit reports were planned for reporting to the 27 August 2020 Special ARC meeting.

Chris Lamont, General Manager Capital Projects and Infrastructure and Jonathan Kambouris, Director Capital Works entered the meeting at 10.10am.

5.2 Major Project Management internal audit report

David Fraser spoke to the Major Project Management internal audit report. It was rated 'requiring improvement' with four medium findings. These related to the absence of an organisation wide project management framework, failure to use independent subject matter experts, specifically IT experts, at key points during the What's On project and improvements that could be made in reporting and monitoring.

Chris Lamont, General Manager Capital Projects and Infrastructure, responded saying that he had found the report valuable and in response to a question from the Chair responded that the ambitious completion dates were achievable and that a large part of the work of implementing the recommendations had already been commenced.

The Committee noted the report.

Chris Lamont, General Manager Capital Projects and Infrastructure and Jonathan Kambouris, Director Capital Works left the meeting at 10.23am.

Linda Weatherson, General Manager Community and City Services and Dean Robertson, Director On-street Support and Compliance entered the meeting at 10.24am.

5.3 Permits internal audit report

David Fraser spoke to the Permits internal audit report which was also rated 'requiring improvement'. There were three findings in relation to City Access parking permits, with two medium rated and one low finding. Similarly the review of the Outdoor Café permits found two medium and one low rated finding.

Linda Weatherson, General Manager Community and City Services, expressed her appreciation of the audit and noted that street trading was a new area of responsibility for Dean Robertson, Director On-Street Support and Compliance. He noted that the recommendations had all been accepted and work already completed on some recommendations and underway on others. Dean provided the Committee with information regarding the City Access permit scheme, its history and cost to the central city.

The Committee noted the report.

At the end of the reporting of the internal audit activity the Chair, on behalf of the Committee, requested NTT consider the below improvements to their reports:

- Provide shorter, punchier executive summaries.
- Add David Fraser's name and title to the front of the report.

NTT agreed to the request. The Chair added that it was good to see challenges that were both hitting the mark and being accepted by the auditees.

6. Audit and Risk Committee Annual Work Plan and other matters continued

6.1 Councils and Emergencies Capability and Capacity Evaluation Report (Agenda item 8.9)

Linda Weatherson, General Manager Community and City Services, spoke to this report. The self-assessment had been completed by the City of Melbourne's Municipal Emergency Recovery Officer and the results were below expectations. CoM expects to have a high level of emergency management capability and capacity, however assessed itself as not achieving targets against four of the six evaluation categories. In response the Executive Leadership Team (ELT) will undertake a re-assessment and apply resources where opportunities for improvement are identified.

A further report will be presented to the May Audit and Risk Committee meeting. Following a request from Stuart Hall, management agreed to include in the report any counter-arguments and explanation from the Municipal Emergency Recovery Officer if there is a scoring gap between the original self-assessment and ELT's re-assessment.

The Committee noted the report.

Dean Robertson, Director On-street Support and Compliance left the meeting at 10.46am.

6.2 General Manager presentation – Community and City Services (Agenda item 8.10)

Linda Weatherson, General Manager Community and City Services, provided an overview of the high risk areas in the Community and City Services Division. She covered numerous topics including the importance of ensuring that staff who worked outside the four main central city buildings were working safely. She was confident that staff were becoming more aware of how to work safely. Linda also spoke of the potential high risk of the reliance on technology for the delivery of services.

The Committee thanked Linda for her report.

Linda Weatherson, General Manager Community left the meeting at 10.55am.

7. External audit

7.1 VAGO Client Strategy (Agenda item 6.1)

The Chair, Geoff Harry, commenced this matter by acknowledging that Jonathan Kyvelidis had resigned from his position as Sector Director Local Government and congratulating Sanchu Chummar on his acting appointment to this role. Sanchu Chummar spoke to this report indicating that the timeline was very similar to last year and that the main change in the Key Risks table was the change in accounting standards applicable in 2019-20. He confirmed that their focus would be on monitoring material matters, particularly the provision of bad debts and the performance of Fines Victoria. There was some discussion regarding the valuation of subsidiaries and the Citywide Joint venture.

The Committee noted the report.

8. Subsidiary company reporting.

8.1 Queen Victoria Market quarterly report (Agenda item 7.1)

The Chief Financial Officer (CFO), Michael Tenace, spoke to this report referring to the finalisation of the Deed of Cooperation which would be critical when sub-contractors commenced on the Queen Victoria Market (QVM) site. The Committee were interested in the outcomes of the risk workshop as outlined in item four of the report and requested that more information on this be provided in the next quarterly report. The upgrade of security and the introduction of bollards were also discussed.

The Chair reiterated his request for a more concise report, in line with the Citywide report and offered to contribute to the improvement. The CFO agreed to take this request to QVM management. The reformatted report was requested to be introduced commencing from the November 2020 ARC meeting.

The Audit and Risk Committee noted the report.

8.2 Citywide Service Solutions quarterly report (Agenda item 7.2)

The CFO, Michael Tenace, spoke of Citywide's financial situation. He confirmed that Citywide were suffering productivity deficiencies, were behind budget and would find it difficult to reach their targets. It was noted that their insurance premiums had increased by 20%. On the positive side their Enterprise Agreement had been successfully completed. It was noted that senior management and Board member representatives would be presenting to the May 2020 Audit and Risk Committee meeting and the Chair requested that both subsidiaries be provided with the below set of dot points to cover in their respective presentations:

- Risk Profile - key risks.
- Financial performance - outlook to end of the year.
- OHS status - high-level detail only is required.
- Corporate Plan/Business Plan - are these plans still relevant?
- Specific point for QVM - how has the business case forecast been adjusted to reflect the redevelopment changes with regards to storage?
- Are there any other items that they would like to discuss?

The subsidiaries response to the dot points would be provided for circulation with the Committee agenda papers. Management agreed to pass this request on to the subsidiaries.

The Audit and Risk Committee noted the report.

9. Audit and Risk Committee Annual Work Plan and other matters (continued)

9.1 Governance and Legal report (Agenda item 8.1)

Discussions took place regarding the planned introduction and changes relating to the *Environmental Protection Act 2018* and the industrial manslaughter legislation as part of the *Occupational Health and Safety Act 2004*. The CEO confirmed that Council was aware of the implications of the proposed changes and that they would continue to review systems to ensure that officers were aware of their responsibilities.

Keith Williamson, General Manager Governance and Organisational Development provided the background to changes in the contingent liability section, explaining the recent changes due to new claims and positive legal settlements. It was stated that the independent tree management report was still pending as this was due to be completed by the end of February 2020. During the discussion regarding Council's emergency preparedness the Deputy Lord Mayor referred to a well-managed 'war room' run by South East Water during a recent exercise he had attended and Dale Ashley, Coordinator Risk Management, agreed to benchmark with his counterpart at the authority to review learning opportunities for Council. The Committee also requested a report back once Council's system access review had been undertaken.

The Audit and Risk Committee noted the report.

9.2 Delegations Report (Agenda item 8.2)

Marlo Emmitt, Director Governance, presented this paper reporting that the Delegations register had been updated following the organisational realignment. She noted that the Quarterly Legislative Compliance survey now covered the question of delegations and that there was a plan to undertake a delegations responsibility awareness program for all managers across the organisation.

The Audit and Risk Committee noted the report.

9.3 Gifts, hospitality and conflicts of interest (Agenda item 8.3)

Marlo Emmitt, Director Governance, spoke on this matter. Therese Ryan requested details of the gifts and hospitality declaration register and management agreed to circulate this.

The Audit and Risk Committee noted the report.

Liam Routledge, Director Finance and Investment, entered the meeting at 11.45am

9.4 Proposed Borrowing Policy (Agenda item 8.4)

Michael Tenace, CFO, provided the history and general principals behind the development of the Borrowing Policy. The Committee discussed various aspects of the proposed policy, including the benefits of spreading capital costs over time and the development of procedures to support the policy.

The Audit and Risk Committee supported the policy and noted the report.

9.5 Internal Control Framework (Agenda item 8.5)

The background was provided on the development of the Internal Control Framework, which was an initiative of the Chair. Management agreed to consider the option of adding further policies and undertook to report back to the next meeting what had been agreed.

The Audit and Risk Committee noted the report.

Auditor Independence (Agenda item 8.6)

The Audit and Risk Committee noted the report.

Justin Hanney, Chief Executive Officer and Sanchu Chummar, VAGO, left the meeting at 12.01pm

9.6 ARC Assessment of Performance of External Audit - Verbal (Agenda item 8.7)

The Committee discussed the performance of the external audit service and the Chair stated that the City of Melbourne was at an advantage being able to deal directly with VAGO, especially around end of year reporting matters. It was noted that Jonathan Kyvelidis had been the director for the majority of the period under review and that he had added value for the Committee.

Sanchu Chummar, VAGO, returned to the meeting at 12.05pm

9.7 ARC review of Co-ordination of Internal and External Audit Efforts - Verbal (Agenda item 8.8)

Both the internal and external auditors confirmed that the cooperation between the two bodies had been positive. There had been no blockages and the external auditor considers internal audit reports when there is a connection between their audits.

10. Matters for presentation to the next meeting of Council

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

Keith Williamson, General Manager Governance and Organisational Development; Michael Tenace Chief Financial Officer; Liam Routledge, Director Finance and Investment; Marlo Emmitt, Director Governance, Dale Ashley, Coordinator Risk Management and Cecilia Digenis, Internal Audit Officer, left the meeting at 12.05pm.

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

The Audit and Risk Committee met with external and internal audit without management present. There was nothing to report.

The meeting concluded at 12.22pm

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

Chair
Audit and Risk Committee
Melbourne City Council

**Audit and Risk Committee Action Plan
Matters for Forthcoming Meetings**

Minutes item #	Subject	Action Officer
	Audit and Risk Committee meeting 14 February 2020	
4.1	<p>Matters arising – Combustible cladding update</p> <p>A further report will be presented to the May 2020 meeting of the Committee.</p>	Director Planning and Building
4.5	<p>Status of matters arising as at 14 February 2020 summary report</p> <p>The Committee reviewed the matters arising summary and requested a more specific delivery date for the high level cyber issues report. It was agreed that this will be provided to the May 2020 meeting. The Chair offered to provide another example of the type of report he is hoping to receive and Therese Ryan indicated that a high level diagram that lays out the system controls to manage IT risks would be helpful and management agreed to pass this request on to the ICT Manager, Technology and Digital Innovation.</p>	Manager ICT
5	<p>At the end of the reporting of the internal audit activity the Chair, on behalf of the Committee, requested NTT consider a couple improvements to their reports:</p> <ul style="list-style-type: none"> • Provide shorter, punchier executive summaries; and • David Fraser to add his name and title to the front of the report. 	NTT
6.1	<p>Councils and Emergencies Capability and Capacity Evaluation Report (Agenda item 8.9)</p> <p>A further report will be presented to the May Audit and Risk Committee meeting. Following a request from Stuart Hall, management agreed to include in the report any counter-arguments and explanation from the Municipal Emergency Recovery Officer if there is a scoring gap between the original self-assessment and ELT's re-assessment.</p>	General Manager Community and City Services
8.1	<p>Queen Victoria Market quarterly report (Agenda item 7.1)</p> <p>The Chair reiterated his request for a more concise report, in line with the Citywide report and offered to contribute to the improvement. The CFO agreed to take this request to QVM management. The reformatted report was requested to be introduced commencing from the November 2020 ARC meeting.</p>	Chief Financial Officer
8.2	<p>It was noted that senior management and Board member representatives would be presenting to the May 2020 Audit and Risk Committee meeting and the Chair requested that both subsidiaries be provided with the below set of dot points to cover in their respective presentations:</p> <ul style="list-style-type: none"> • Risk Profile - key risks. • Financial performance - outlook to end of the year. • OHS status - high-level detail only is required • Corporate Plan/Business Plan - are these plans still relevant? • Specific point for QVM - how has the business case forecast been adjusted to reflect the redevelopment changes with regards to storage? • Are there any other items that they would like to discuss? <p>The subsidiaries response to the dot points would be provided for circulation with the Committee agenda papers. Management agreed to pass this request on to the subsidiaries.</p>	Chief Financial Officer

<p>9.1</p>	<p>Governance and Legal report (Agenda item 8.1)</p> <p>During the discussion regarding Council's emergency preparedness the Deputy Lord Mayor referred to a well-managed 'war room' run by South East Water during a recent exercise he had attended and Dale Ashley, Coordinator Risk Management, agreed to benchmark with his counterpart at the authority to review learning opportunities for Council</p> <p>The Committee requested a report back once Council's system access review had been undertaken.</p>	<p>Coordinator Risk Management</p> <p>Manager ICT</p>
<p>9.3</p>	<p>Gifts, hospitality and conflicts of interest (Agenda item 8.3)</p> <p>Marlo Emmitt, Director Governance, spoke on this matter. Therese Ryan requested details of the gifts and hospitality declaration register and management agreed to circulate this.</p>	<p>Director Governance</p>
<p>9.5</p>	<p>Internal Control Framework (Agenda item 8.5)</p> <p>The background was provided on the development of the Internal Control Framework, which was an initiative of the Chair. Management agreed to consider the option of adding further policies and undertook to report back to the next meeting what had been agreed.</p>	<p>Internal Audit Officer</p>

Note: The items listed in the above table 'Matters for Forthcoming Meetings' are in addition to those matters already listed in *the Annual Work Plan 2019-20*