



Audit & Risk Committee

Annual Report 2019 - 2020

City of Port Phillip 2020

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1. Introduction

The Audit Committee has been established under Section 53 of the Local Government Act 2020 (and previously Section 139 of the Local Government Act 1989).

This Annual Report of the City of Port Phillip Audit and Risk Committee covers the activities of the Committee for the period July 2019 to June 2020.

2. Roles and Responsibilities

The Audit and Risk Committee (The Committee) plays an important role in providing oversight of Port Phillip Council's governance, risk management, and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Committee performs its role by providing independent oversight to the Executive and the Council, in overseeing internal and external audit functions.

The specific objectives of the Audit and Risk Committee are outlined in the Committee's Charter.

3. Membership

Membership of the Audit and Risk Committee is made up of three external members, the Mayor and one other Councillor, with the role of the Chair being allocated to an external member. External members are appointed for a term of up to three years. At the conclusion of their first term, existing members will be eligible to apply to be reappointed which is at the discretion of Council. Councillors are appointed to the Committee on an annual basis.

The **Membership** of the Committee for the reporting period was as follows:

Name	Position	Term
Brian Densem	External Member (Chair)	Appointed 01/01/2011 to 01/04/2016. Reappointed 01/04/16 to 01/04/2019. Term extended 01/04/2019 to current.
Helen Lanyon	External Member	Appointed 01/01/2012 to 01/01/2018. Reappointed 01/01/2018 to current.
Kylie Maher	External Member	Appointed 17/10/2018 to current.
Mayor Cr Bernadene Voss	Internal Representative	Appointed Dec 2014 to current.
Cr Dick Gross	Internal Representative	Appointed Nov 2016 to current.

Mr Brian Densem was appointed Chair on 4 December 2019 for a one year period – expiring 1 January 2021.

Audit and Risk Committee member Remuneration

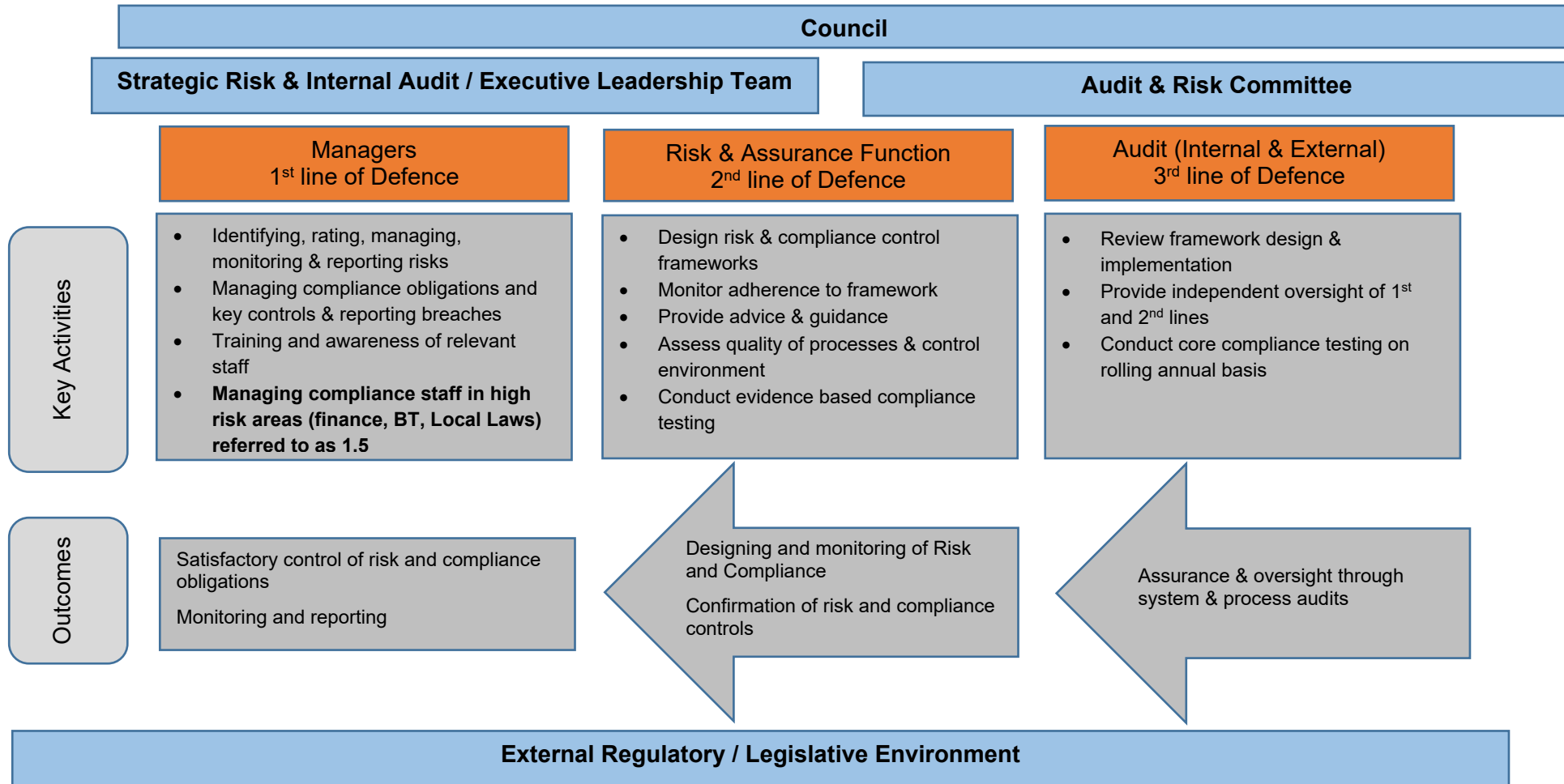
External members of the Audit and Risk Committee are paid for their services and are remunerated in accordance with Council policy.

Committee Member Profiles

Committee Member	Profile
External Members	
<i>Mr Brian Densem</i>	<i>Mr Brian Densem was reappointed as an external member by Council in February 2019 and appointed Chair by Council in December 2019. Mr Densem is a Certified Practising Accountant, a Professional Fellow of the Institute of Internal Auditors and is Chief of Audit at a leading Australian mutual company. He has extensive knowledge of internal audit, risk management and compliance, and exposure to numerous industries, with a primary focus on financial services. Mr Densem is a member of two other local government Audit & Risk Committees, a member of a water catchment authority Audit and Risk Committee and a Board member of a community health service which includes roles on the Audit and Risk and Finance Committees.</i>
<i>Ms Helen Lanyon</i>	<i>Ms Helen Lanyon was reappointed as Chair by Council in December 2018 and was Chair through until December 2019. Ms Lanyon is a Fellow of CPA Australia and a graduate of the Australian Institute of Company Directors. Over a 40-year career, Ms Lanyon has held numerous senior executive roles, primarily in local government. She has broad experience in the corporate services portfolio across a range of disciplines, including finance, governance, human resource management, marketing, customer service and information technology. Ms Lanyon also has extensive experience on a broad range of advisory committees and is also the Chair of the Audit Committee of another metropolitan local council.</i>
<i>Ms Kylie Maher</i>	<i>Ms Kylie Maher was appointed as an external member by Council on 17 October 2018. Ms Maher is a Certified Practising Accountant and a Graduate of the Australian Institute of Company Directors. She is the Partner in charge of the Governance and Risk division for a mid-tier global accounting firm and has over 20 years' experience in consulting to government and multinational organisations on governance, risk and assurance. Kylie has held roles on many audit and risk committees in Victorian government and brings extensive knowledge of leading risk practices and program delivery assurance.</i>
<i>Mayor Cr Bernadene Voss</i>	<i>Cr Voss was initially appointed to the Committee as a Councillor representative in December 2014. Under the Audit and Risk Committee Charter, the elected Mayor must be a member of the Committee. Cr Voss was elected Mayor on 13 November 2019 and is the current Mayoral rep up until 24 October 2020 – the end of this Council's term. Prior to being elected Mayor, Cr Voss was the Councillor rep.</i>
<i>Cr Dick Gross</i>	<i>Cr Gross was initially appointed to the Committee as a Councillor representative in November 2016. Cr Gross was elected Mayor on 28 November 2018 and was the Mayoral rep up until 12 November 2019. Cr Gross is the current Councillor rep until 24 October 2020 – the end of this Council's term.</i>

4. ASSURANCE FRAMEWORK

Council utilises the **THREE LINES OF DEFENCE MODEL** for its assurance framework which provides a simple and effective way to enhance communications on risk management and control by clarifying essential roles and duties.



5. Audit and Risk Committee Activities and Outcomes

The Audit and Risk Committee would like to highlight the following activities and outcomes of 2019/20 to Council.

5.1 Financial Report

For the 2019/20 reporting period, the Audit and Risk Committee performed their functions and responsibilities set forth in the Committee's Charter with regard to Financial Reporting. This included considering the Financial Reporting Framework and reports on procurement compliance, including:

- 2018/19 Financial Statements - impact of changes to policy and standards
- Asset Revaluation and Depreciation Methods
- Expense Policy – consolidation of a number of smaller related policies.
- Financial / Portfolio deliverability Review
- Investment Policy
- Long Term Financial Strategy / 10 Year Financial Outlook
- Rates Collected and Rates Outstanding

5.2 Internal control

For the 2019/20 reporting period the Audit and Risk Committee performed its functions and responsibilities set forth in the Committee's Charter with regard to the internal controls. This included considering key Council policies including Codes of Conduct, as well as the effectiveness of internal controls in the Digital Technology Services environment. The Committee also considered the effectiveness of controls to manage fraud and corruption including fraud and corruption mitigation actions such as training, fraud risk registers, fraud prevention and detection measures and relevant fraud policies.

5.3 Risk Management

For the 2019/20 reporting period, the Audit and Risk Committee performed its functions and responsibilities set forth in the Committee's Charter with regard to Risk Management.

A key role of the Audit and Risk Committee is to review and monitor the effectiveness of the key controls in place to manage and mitigate the risks encountered by Council. These risks include strategic, operational, project and fraud control environments, as well as ensuring adequate business continuity planning.

During 2019/20, the Committee considered the high priority risks and issues facing the organisation and monitored risk treatment plans established by management to reduce or mitigate those risk exposures, through regular updates on operational, strategic and project risks at each meeting. The Strategic Risk and Internal Audit Group (SRIA) continues to provide assurance and support to the Audit & Risk Committee to ensure strategic risk, internal audit and compliance matters are well managed and that a positive risk management culture is fostered in the organisation.

To support this, the Committee considered reports on the following risk management activities:

- Review of Council's Codes of Conduct (Councillor & Employee)
- Updates from Strategic Risk & Internal Audit Group highlighting 'Below Waterline' which are actively managed by SRIA until they are effectively mitigated and assessed as above waterline, 'On Waterline / Watchlist' risks which are actively monitored by SRIA and emerging risk and issues considered by SRIA.

5.4 Business Continuity Planning

For the 2019/20 reporting period, the Audit and Risk Committee performed its functions and responsibilities set forth in the Committee's Charter with regard to Business Continuity Planning:

- Oversee the framework for business continuity.
- Review the mechanisms in place to comply with the framework.
- Monitor processes and practices to ensure effective business continuity plans are in place.
- The Audit and Risk Committee received reports highlighting:
- Business Continuity Plan Update – including status of implementation of recommendations identified during the May 2019 training-based exercise conducted by RiskLogic.
- ICT Disaster Recovery Exercise

5.5 Internal Audit

For the 2019/20 reporting period, the Audit and Risk Committee performed its functions and responsibilities set forth in the Committee's Charter with regard to Internal Audit which includes tracking all audit findings through to completion.

Pitcher Partners were appointed as Council's Internal Audit and Core Assurance Services provider commencing May 2019 for an initial term of three years.

The following audit reports were presented to the Audit and Risk Committee review:

- Grants Management
- Records Management
- Service Planning
- Statutory Planning

The Committee also reviewed and updated the audit universe, considered the proposed internal audit plan for 2019/20 and considered the status reports regarding the internal audit program including the status of management responses to previous audits.

Assurance activities considered by the Committee have also included core compliance activities. The following core compliance reviews were undertaken:

- Privacy
- Special Rates

5.6 External audit

For the 2019/20 reporting period, the Audit and Risk Committee performed their functions and responsibilities set forth in the Committee's Charter with regard to External Audit.

The Audit and Risk Committee met with HLB Mann Judd, the agent appointed by the Victorian Auditor General's Office (VAGO) at the meeting in August 2019. The following items were tabled and presented:

- End of year financial statements for the period ended 30 June 2019
- Standard statement of performance for the period ended 30 June 2019
- Proposed audit scope for 2019/20
- The Annual Financial Statements and Performance Statement were recommended to Council for adoption. A clear audit opinion was received from VAGO

5.7 Compliance

For the 2019/20 reporting period, the Audit and Risk Committee performed their functions and responsibilities set forth in the Committee's Charter with regard to Council's compliance with legislation and internal policy requirements.

At each meeting, the Audit and Risk Committee receive reports surrounding Council's compliance with internal legislation and policy requirements (i.e. tender and procurement, evidence based compliance audits). The Committee also receives CEO reports each meeting which includes compliance matters and any breaches.

The Committee also noted the implications of publications from the Victorian Auditor General's Office:

External Publication Reviews

Body	Title
VAGO	❖ Fraud Report
Victorian Ombudsman	❖ Parking Review Investigation Report

5.8 Other Matters of Business

The Committee also received reports, verbal updates and discussed the following matters:

- Council's activities and performance including monthly CEO reports
- Integrated Council Plan 2017-27 Year 3 (including Strategic Resource Plan, Budget 2019/20 and Health & Wellbeing Plan)
- South Melbourne Market Governance
- Fishermans Bend Update
- Social Media Use
- Child Safe Standards Implementation Plan
- Waste Update – including the financial implications of recycling
- Building Cladding
- Worksafe Audit / Remedial Action Plan
- Preparedness on the new Workplace Act

- Councillor Expenses & Support Policy
- Customer Experience Program – General Program & Change Management Update
- Organisational Policy Framework
- Pandemic Update
- Operation Model / Organisational Structure change
- Local Government Act / Implementation Plan

6. Conduct of the Committee

During 2019/2020 the Audit and Risk Committee met on seven occasions. A workshop (WS) was held in May 2020 dedicated to planning of audit, risk and assurance activity for the upcoming financial year.

Table 2: Audit and Risk Committee members' attendance at meetings for the year

<i>Member</i>	<i>Aug-19</i>	<i>Nov-19</i>	<i>Feb-20</i>	<i>8 Apr 20</i>	<i>5 May 20</i>	<i>May-20 WS</i>	<i>Jun-20</i>
Helen Lanyon	✓	✓	✓	✓	✓	✓	✓
Brian Densem	✓	✓	✓	✓	✓	✓	✓
Kylie Maher	✓	✓	✓	✓	✓	✓	✓
Mayor Cr Bernadene Voss	✓	✓	✓	✓	✓	✓	✓
Mayor Cr Dick Gross	✓	X	✓	✓	✓	✓	✓

Meetings have been held virtually since February 2020.

The Committee held two additional meetings within the intervening quarterly meetings to cover items that were either urgent in nature or required earlier endorsement, 8 April 2020 and 5 May 2020.

Minutes are circulated to all Committee members following each meeting. Outcomes of each meeting are reported to Council.

6.1 Audit and Risk Committee Effectiveness

An annual review of the Committee's performance was conducted in October 2019 via an online anonymous survey, utilising 'Survey Manager'. The survey had been agreed in conjunction with the Audit & Risk Committee Chair. All permanent Committee members were invited to participate in the survey. A total of five (5) responses were received by the prescribed due date. A rating scale of 1 - 5 was used to rate the extent to which committee members believed they complied with each statement, on a scale where 5 = outstanding, 3 = satisfactory and 1 = unsatisfactory.

Out of the 21 individual questions 3 or 14% were rated as Outstanding, 17 or 81% were rated as Very Satisfactory with only 1 or 5% rated as satisfactory.

From the comments provided, there is an opportunity to further support our newly appointed internal auditors in their program delivery.

6.2 Review of the Charters

Audit & Risk Committee Charter

At the June 2020 meeting, the Audit and Risk Committee Charter was reviewed in accordance with the annual calendar of events. After major changes to the Charter over the last two years, the main changes through this review included references to the new Local Government Act 2020 to ensure Council is compliant with the new Act 2020. The Committee were happy to note the updated Charter which was presented to Council for adoption on the 5 August 2020 to meet the Local Government Act 2020 requirements.

Internal Audit Charter

The Audit & Risk Committee noted a revised Internal Audit Charter at its meeting in November 2019.

7. Continuous Improvement Practices

The Audit and Risk Committee would like to acknowledge the contributions of the committee members, management and staff that regularly present and attend the meetings which have contributed to the following improvements:

- SRIA continues to further strengthen the organisations focus on risk and audit.
- SRIA initiative for one rotating Manager to attend each Audit & Risk Committee meeting as observer.
- Chair catch-up with management to have input into the draft agenda to ensure effective agenda prioritisation and that sufficient time is allocated to each item. This gives comfort that the Committee can adequately discharge its responsibilities and add value through effective member contribution.
- Member only session times continue to be allocated prior to each committee meeting to allow the Committee time to communicate without management present.
- Time has been set aside at the end of each meeting for the Committee members to reflect on the meeting and identify opportunities for further improvements.
- Draft minutes are circulated to all members within two weeks of the Audit and Risk Committee Meeting.
- The agenda development has continued to undergo significant refinement resulting in quality agenda preparation and timely distribution to the Committee.
- Supporting documentation is continuously reviewed, refined and updated based upon feedback from Committee members at each meeting with relevant stakeholders in attendance to present their reports.

8. Outlook for 2020/21

The full 2020/21 Annual Audit Program is still in development whilst we continue to respond to COVID-19 and determine organisational priorities, however both the organisations operational and strategic risks as well as current issues faced by the City of Port Phillip will all be taken into consideration.

The organisation will continue to review and refine its Audit Universe to ensure that it adequately reflects all Council operations, especially in light of new operating model.

The Audit and Risk Committee will continue to work through the changes brought about by the new Local Government Act in regards to the Committee's functions and responsibilities which now include the monitoring of compliance of Council's policies and procedures with the new overarching Governance Principles now required to be established by Councils in accordance with Section 60 of the Act.

Once the Governance Principles have been established by Council, the Committee will need to establish a programme that enables the Committee to monitor compliance with the Governance Principles. As the Governance Principles are likely to be broad in order to apply to the whole of Council's activities, the Committee will need to consider what its monitoring activities should be and how frequently it considers compliance. Once articulated, the monitoring activities will then be included in the Committee's annual work plan.

The Audit and Risk Committee will also continue to monitor the implementation of the risk management framework and reporting system, the Council's business continuity and disaster recover planning and management process, and the overall Assurance Plan incorporating the relationships between Core Assurance, Risk and Internal Audit.