

3.1 **AUDIT AND RISK COMMITTEE MINUTES – JUNE 2023** (D23-163072)

Report from: Audit and Risk Committee

Responsible Director: Danny Wain, Chief Financial Officer

RECOMMENDATION

That Council:

- 1. notes the unconfirmed Minutes of the 13 June 2023 Audit and Risk Committee (the Committee); and*
- 2. notes that the Minutes will be confirmed by the Chair of the Committee at the next Committee meeting; and any substantive changes to the unconfirmed Minutes will be reported to the next Council meeting.*

INTRODUCTION

The [Audit and Risk Committee](#) is made up of three independent members and two Councillors. There is an Audit and Risk Committee Charter (Charter) that provides scope to the Committee. The Charter requires that the unconfirmed Minutes of each Audit and Risk Committee meeting be reported to Council within two months of the relevant meeting. Receiving the unconfirmed Minutes ensures Council receives timely advice and guidance rather than waiting for the Committee to confirm the Minutes at its next meeting, which typically is three months later.

DISCUSSION

The Audit and Risk Committee Chair approved the 13 June 2023 Committee Minutes on 21 June 2023. They have been shared with all committee members. The unconfirmed Minutes of the meeting are attached to this report.

POLICY IMPLICATIONS

The Committee operations are governed under Section 3 of Council's [Audit and Risk Committee Charter](#).

CONSULTATION

As part of its commitment to good governance, Council's Audit and Risk Committee acts as an independent advisory committee to Council, established under Section 53 of the *Local Government Act 2020*. The Audit and Risk Committee Charter requires the Committee meet with Council's Internal and External Auditors in reviewing Council's financial and non-financial reporting as well as risk management.

SOCIAL IMPLICATIONS

None noted.

HUMAN RIGHTS CONSIDERATIONS

None noted.

GENDER EQUITY ASSESSMENT

None noted.

CONCLUSION

The Audit and Risk Committee recommends that the unconfirmed Minutes of its meeting held on 13 June 2023 be noted by Council. The Minutes will be confirmed by the Committee at its next meeting with any substantive changes reported to the next Council meeting.

AUDIT AND RISK COMMITTEE MINUTES

8:00 – 10:30am Tuesday 13th June 2023
Function room (Civic Centre) and via Zoom

1 Opening of meeting /procedural

Attendees:

Audit and Risk Committee	
Andrew Dix	Independent Chair
Katie Baldwin	Independent Member
John Watson	Independent Member (Via Zoom)
Councillor Geoff Lake	Audit and Risk Committee Member (Via Zoom)
Other Attendees	
Andi Diamond	Chief Executive Officer (Via Zoom) - departed at 9.15am
Danny Wain	Chief Financial Officer (Via Zoom)
Russell Hopkins	Director Community Services (Via Zoom) - departed at 9.20am
Jarrold Doake	Director City Services
Peter Panagakos	Director City Development (Via Zoom) - departed at 10.10am
Tracy Shoshan	Executive Manager People & Safety (Via Zoom)
Kate Heissenbuttel	Manager Corporate Performance
Yanthi Nilam	Manager Finance
Adil Khan	Manager Transformation and Innovation - departed at 9.50am
Jason Farrugia	Manager Strategic Procurement – arrived at 9.30am, departed at 9.50am
Rahini Surendran	Procurement and Compliance Coordinator – arrived at 9.45am, departed at 9.50am
Sharon Bahn	Manager Children Youth and Family Services (Via Zoom) - departed at 9.20am
Dino De Melis	Manager Facilities and Infrastructure Maintenance - departed at 9.45am
Karina Lamb	Manager Arts and Libraries (Via Zoom) - departed at 9.20am
Catherine Sherwin	Manager City Planning (Via Zoom) - departed at 10.10am
Catherine Chen	Coordinator Risk Management and Business Assurance
Rebecca Freebody	Risk Officer
Mary-Ellen O'Malley	Acting Safety Lead (Via Zoom)
Andrew Zavitsanos	Partner – Crowe – Internal Auditor (Via Zoom)
Mark Peters	Partner – HLB Mann Judd – External Auditor (Via Zoom) - departed at 8.50am
Tania Yeung	Manager – HLB Mann Judd – External Auditor (Via Zoom) - departed at 8.50am

1.1 Apologies

- Mayor Tina Samardzija – Audit and Risk Committee Member
- Cr Stuart James – Alternate Audit and Risk Committee Member
- Rob Pedder – Manager Governance and Legal
- Lynda Cooper – Senior Manager, Crowe – Internal Auditor

1.2 Disclosure of any conflict of interest

Cr Lake informed the Committee that he is a member of the Museum of Australian Photography Foundation.

1.3 Confirmation of minutes as circulated, meeting of 15 March 2023

Audit and Risk Committee resolution:

The minutes of the Audit and Risk Committee meeting of 15th March 2023 be accepted.

Moved: Katie Baldwin / John Watson. Carried.

1.4 Matters arising

It was noted that all current open actions are either to be completed in the current meeting or are scheduled for completion at future meetings.

Audit and Risk Committee resolution:

The Committee noted the report.

1.5 CEO briefing

CEO, Andi Diamond, presented an update to the Committee on several matters including an update on legacy landfill, the rise of incivility at local government level (including recent threats of violence projected in response to a proposed council event), and findings from the community satisfaction survey.

Audit and Risk Committee resolution:

The Committee noted the report.

2 Risk management / ethical behaviour

2.1 Risk update

Kate Heissenbuttel, Manager Corporate Performance, provided an update on the work undertaken by the team in the risk management space over the last few months. This included the review of strategic and operational risks, development of the risk management workplan, as well as the establishment of the risk appetite statement.

The Committee further discussed the involvement of Councillors in the development of risk appetite statement.

Action:

The Committee requested that the Management work with Councillors to build their understanding of risk management and to seek their input in the establishment of Council's risk appetite statement. **[Kate Heissenbuttel]**

The Committee recommended the risk management workplan to be tabled at the next Committee meeting. **[Kate Heissenbuttel]**

Audit and Risk Committee resolution:

The Committee noted the report.

2.2 Strategic risk report

Kate Heissenbuttel, Manager Corporate Performance, briefed the Committee on the strategic risk updates for the quarter. She advised the Committee that a new cyber security risk was identified and added to the strategic risk report following the endorsement by the Risk Management Committee.

Action:

The Committee requested that cyber insurance be considered and potentially included as a control for the cyber security risk in the strategic risk report. [Kate Heissenbuttel]

Audit and Risk Committee resolution:

The Committee noted the report.

2.3 Cyber security report

Adil Khan, Manager Innovation and Transformation, provided an update on Council's cyber security initiatives at the meeting which includes:

- Australian Cyber Security Centre (ACSC) Essential Eight (E8) progress update
- Council's cyber security penetration test findings and its remediation progress
- Council's cyber security key performance indicators (KPIs)
- Council's cyber security strategy progress update
- A data assessment progress update.

Audit and Risk Committee resolution:

The Committee noted the report.

2.4 Occupational health and safety report

Tracy Shoshan, Executive Manager People and Safety, and Mary-Ellen O'Malley, Acting Safety Lead, presented the occupational health and safety updates including key metrics and trends related to OHS incidents over the past six months.

Action:

The Committee requested a report summarising the substantial public liability insurance data to be presented as part of the year-end financial reporting process. [Jarrod Doake]

Audit and Risk Committee resolution:

The Committee noted the report.

3 External audit/external reporting

3.1 Interim management letter

Mark Peters, Partner at HLB Mann Judd, provided the Committee with an update on interim audit for the year ending 30 June 2023 which included a summary of audit findings from the interim phase of the audit.

Management is confident that the open items will be completed by end of June 2023. Relevant information has been provided to HLB Mann Judd, who are in the process of reviewing and assessing.

Audit and Risk Committee resolution:

The Committee noted the report.

4 Internal audit

4.1 Status of delivery of 2022/2023 Internal Audit Plan

Andrew Zavitsanos, Partner at Crowe, provided the Committee with a status update on the current internal audit activities in accordance with the 2022/23 Plan. Crowe advised that a couple of audits were finalised in the period and a final report for the leases and licenses audit will be presented at the September meeting.

Audit and Risk Committee resolution:

The Committee noted the report.

4.2 Internal audit Plan for 2023/24

Crowe presented the Internal Audit Plan for the next 12 months to the Committee, which included eight (8) internal audit programs covering operational, financial, and technological areas across the Council. Following the endorsement at the Committee meeting, this plan will be taken to the next Council meeting for approval.

Audit and Risk Committee resolution:

The Committee endorsed the 2023/24 plan and recommended that Council approve it at the next Council meeting.

Moved: Katie Baldwin / John Watson. Carried

4.3 Summary of open recommendations

Catherine Chen, Coordinator Risk Management and Business Assurance, presented the report to the Committee, highlighting that since the last meeting the total number of open actions items has increased from 30 to 49 due to various audits being finalised. Additionally, the number of overdue audit actions have risen from 12 to 14.

Action:

The Committee requested that an update on all the overdue audit action items be provided in July to understand their latest status. [\[Catherine Chen\]](#)

Audit and Risk Committee resolution:

The Committee noted the report.

4.4 Museum of Australian Photography (MAPh) Audit (Crowe)

In January 2023, an internal audit was undertaken to assess the adequacy of various processes and procedures surrounding the management of Council's responsibilities in relation to Museum of Australian Photography (MAPh) (Previously known as Monash Gallery of Art).

The audit found the current controls over the Museum of Australian Photography could be strengthened with four medium and four low risk rated findings identified. The details of the findings are in the tabled report.

Audit and Risk Committee resolution:

The Committee noted the report tabled and the management actions outlined in the report.

4.5 Fuel Card Management Audit (Crowe)

In October 2022, an internal audit was undertaken to assess the adequacy of various processes and procedures surrounding the management of fuel cards.

The audit found that the current controls over fuel cards practices could be further strengthened with three medium and four low risk rated findings identified. The details of the findings are in the tabled report.

Audit and Risk Committee resolution:

The Committee noted the report tabled and the management actions outlined in the report.

4.6 Essential Safety Measures Audit (Crowe)

In February 2023, an internal audit was undertaken to review the adequacy of processes and procedures surrounding Council owned buildings with respect to Essential Safety Measures (ESM).

The audit found that the current controls over the management of Essential Safety Measures could be further strengthened with four medium and two low risk rated findings identified. The details of the findings are in the tabled report.

Audit and Risk Committee resolution:

The Committee noted the report tabled and the management actions outlined in the report.

4.7 Rates Management Audit (Crowe)

In February 2023, an internal audit was undertaken to review the adequacy

of processes and procedures surrounding Rates Management.

The audit found that the current controls over the Rates Management could be further strengthened with four medium and four low risk rated findings identified. The details of the findings are in the tabled report.

Audit and Risk Committee resolution:

The Committee noted the report tabled and the management actions outlined in the report.

5 Internal control environment

5.1 ICE policies review

Jason Farrugia, Manager Strategic Procurement, briefed the Committee on the changes to the Credit Card Policy as part of the regular review cycle of the policy.

Audit and Risk Committee resolution:

The Committee noted the report.

6 Executive briefings

6.1 Presentation by senior officers

Jarrod Doake, Director City Services, provided a presentation on Strategic Risk 8 - *Cyber security breach to Council's core systems and applications* to the Committee.

Audit and Risk Committee resolution:

The Committee noted the report.

7 Integrity body reports

7.1 Self-assessment report on VAGO Report – Regulating Private Pool and Spa Safety

Peter Panagakos, Director City Development and Catherine Sherwin, Manager City Planning, provided an update to the Committee on the self-assessment report against the VAGO Report – Regulating Private Pool and Spa Safety.

Action:

The Committee requested a report to be presented at the next Committee meeting to provide an update on the compliance rate and include relevant references from other councils. [\[Catherine Sherwin\]](#)

Audit and Risk Committee resolution:

The Committee noted the report.

7.2 Self-assessment report on Commission of Inquiry into Moira Shire Council

Tracy Shoshan, Executive Manager People and Safety and Jarrod Doake, Director City Services, presented the Committee with a self-assessment report on Commission of Inquiry into Moira Shire Council findings.

The Committee further discussed the legal risks and responsibilities in relation to Councillors exposure in the OHS matters following the review of findings.

Action:

The Committee recommended that Management seek advice on this matter and provide an update at the next Committee meeting outlining the established roles and responsibilities for Councillors and Management under the OHS area. [Tracy Shoshan]

Audit and Risk Committee resolution:

The Committee noted the report.

8 Other business

8.1 Identify any confidential items for separate minuting

None disclosed.

8.2 ARC six monthly activity report to Council

The Chair presented a report that comprises the six-monthly update on the Committee's activities, organised by the Committee's functions.

Audit and Risk Committee resolution:

The Committee endorsed the report for the Chief Executive Officer to table at the next Council meeting.

Moved: Katie Baldwin / John Watson. Carried.

9 Other business

9.1 Recruitment of independent member

A briefing paper was presented to the Committee on the progress of the recruitment of an independent Member of Audit and Risk Committee following the completion of Katie Baldwin's tenure. A new independent member, Binda Gokhale, has been appointed and will commence her tenure from July 2023.

Audit and Risk Committee resolution:

The Committee noted the report.

9.2 Acknowledgment and farewell to departing committee member, Katie Baldwin

On behalf of the Committee, the Chair thanked Katie Baldwin for her great contribution as an Independent Member of the Audit and Risk Committee over the last six years and extended best wishes to her in her next role.

Danny Wain, Chief Financial Officer, on behalf the CEO and Management, also expressed appreciation for Katie's valuable input and recommendations for the Council over the years.

10 Meeting schedule

The following meeting dates were presented:

- 14 September 2023 8.00 - 10.30am
- 24 November 2023, 8.00 - 10.30am

Documents for noting

Audit and Risk Committee resolution:

The Committee noted the following documents supplied as part of the meeting information:

- ARC Annual Work Plan [Opening of Meeting / Procedural]
- Approval of Review Scopes [Internal Audit]
- Risk Management Committee minutes [Internal Control Environment]
- IT Steering Committee minutes [Internal Control Environment]
- Quarterly Finance Report [Financial and External Reporting]
- Link to the Adopted 2023/24 Annual Budget [Financial and External Reporting]

11 Meeting closed at 10:35 AM

CONFIRMED:

ANDREW DIX

Chair

Date: ____ / ____ / ____

Distribution list:

1. Audit and Risk Committee
2. Executive Leadership Team
3. Meeting attendees
4. Council (via a Council report)