

# Audit and Risk Committee Biannual Activity Report

July to December 2021

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## The Audit and Risk Committee

The role of the Audit and Risk Committee (Committee) is set out in the Audit and Risk Committee Charter, adopted by Council on 18 August 2020.

The Committee provides independent and objective assurance and assistance to the Yarra City Council and its Chief Executive Officer on Council's risk management, control and compliance framework, and its external financial and performance accountability and responsibilities. In addition, the Committee provides advice to Council that will assist Council in fulfilling its corporate governance and oversight responsibilities.

The Committee does not have executive powers or authority to implement actions in areas over which management has responsibility and does not have any delegated authority. The Committee does not have any management functions and is therefore independent of management.

The Council has authorised the Committee, within the scope of its role and responsibilities to:

- obtain any information it needs from any employee and/or external party;
- discuss any matters with the external or internal auditor, or other external parties;
- request the attendance of any Council Officer, Councillors, and/or the internal and external auditors;
- request that Council Officers obtain external legal or other professional advice, as the Committee considers necessary to meet its responsibilities, at Council's expense;
- require reports from Council Officers, the internal auditors and external auditors on any significant proposed regulatory, accounting or reporting issue, to assess the potential impact upon the Council's financial reporting process; and
- request that the Chief Executive Officer table a report from the Committee at a meeting of the Council.

## Purpose of the biannual activity report

This report meets the reporting requirements to Council as required by section 54(5) of the Local Government Act 2020 (Act).

The report provides Council and the community with a summary of the matters that the Audit and Risk Committee has addressed in the reporting period in discharging its responsibilities under its Charter and under the Act. Further, the report provides Council with the Committee's findings and recommendations for the period.

This report provides an overview of the activity of the Audit and Risk Committee from 1 July to 31 December 2022.

## Committee Membership

The Committee comprises five members, three of which are independent members and two Councillors.

During the period, the Committee members were:

### Current Members

#### Helen Lanyon, Chair

Helen Lanyon is a Fellow of CPA Australia and is 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 and has broad experience in the corporate services portfolio disciplines. Ms Lanyon also has extensive experience on a range of advisory committees.

#### David Ashmore

David Ashmore is a Fellow of the Institute of Chartered Accountant and was in public practice working predominately as an Audit Partner. He is also a graduate of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australia. Mr Ashmore has for the past 15 years been appointed to a variety of Audit Committees mainly for Local Government entities and also has an appointment as Chairman for an ASX listed public Company.

#### Cr Herschel Landes

Cr Herschel Landes was elected to Yarra City Council in October 2020. Cr Landes was appointed to the Audit and Risk Committee in November 2020.

#### Kylie Maher (from 7/9/2021)

Kylie Maher has over 25 years' experience in providing Finance, Risk and Governance advisory services. As the partner in charge of a Governance and Risk Advisory practice, Kylie leads risk and audit consulting services in education, government, community services and the aged care sector and is a member of a number of public sector audit committees. Kylie holds a Bachelor of Business (Accounting) and is a Graduate, Australian Institute of Company Directors, a Certified Practising Accountant and a member of the Institute of Internal Auditors.

#### Cr Sophie Wade (from 23/11/2021)

Cr Sophie Wade was elected to Yarra City Council in October 2020 and was elected Mayor in November 2021. Cr Wade was appointed to the Audit and Risk Committee in November 2021.

### Former Members

#### Vince Philpot (to 2/9/2021)

Vince Philpot had a varied and interesting career across global operations in the Oil and Gas industry, moving later into the Non-Governmental aid agency space and finally into the social services sector. As a Certified Internal Auditor, he brings his subject matter expertise in enterprise risk management, internal control frameworks and internal audit to his committee work. Mr Philpot also has wide experience on a range of advisory committees in Local Government and Public Service entities.

#### Cr Gabrielle de Vietri (to 23/11/2021)

Cr Gabrielle de Vietri was elected to the Yarra City Council in October 2020 and was elected Mayor in November 2020. Cr de Vietri was appointed to the Audit and Risk Committee in November 2020.

## Committee Attendance

The Committee met three times during the period.

Current Members	Meetings attended
Helen Lanyon	3 of 3
David Ashmore	3 of 3
Kylie Maher	1 of 1
Cr Sophie Wade	*
Cr Herschel Landes	3 of 3
Former Members	
Vincent Philpot	2 of 2
Cr Gabrielle de Vietri	3 of 3

\* *The committee has not met since Cr Wade's appointment, although she participated in the workshop on 30 November 2021 and the circular resolution of 13 December 2021.*

In addition to the appointed members, all Councillors receive Audit and Risk Committee meeting papers and have a standing invitation to attend meetings as an observer. No Councillors took up this opportunity during the period.

## Committee Activity

The tables below set out the activity of the committee during the period of this report, including a summary of the matters discussed and any recommendations made by the Committee to the Council. It should be noted that only recommendations from the Committee to the Council are reported here – recommendations and actions agreed to by management do not form part of this activity report.

### 19 August 2021

Matter considered	Summary
Report by the Chief Executive	The CEO provided a verbal report to the Committee on a range of matters including the Council plan, end of year accounts, COVID impacts, M9 group of Councils, 433 Smith Street and the Councillor Code of Conduct.
Review of actions arising from previous meetings	The Committee reviewed the status of actions arising as a result of matters raised at previous Committee meetings.
Review of actions arising from previous internal audits	The Committee reviewed the status of the implementation of agreed management actions arising from previous internal audits.

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Matter considered	Summary
Internal Audit - Status Report	Council's internal auditors presented a report on the status of the internal audit program. The Committee requested management present a report setting out the implications of the VAGO report into sexual harassment in Local Government.
Internal Audit - Review of Human Resource Management	Council's internal auditors presented its findings following an internal audit into Council's human resource management. The report resulted in five agreed management actions being added to the database for monitoring.
Internal Audit – Penetration Testing	Council's internal auditors presented its findings following an internal audit into penetration testing. The report resulted in three agreed management actions being added to the database for monitoring.
Internal Audit – Review of Councillor Expenses and Purchasing Cards	Council's internal auditors presented its findings following an internal audit into Councillor expenses and the use of purchasing cards. The report did not result in any management actions being added to the database for monitoring.
Victorian Child Safe Standards Compliance	The Manager Organisational Culture, Capability and Diversity outlined Council's project to ensure compliance with the new Victorian Child Safe Standards. The Committee noted Council's compliance and recommended a number of improvements.
VAGO Report - Sexual Harassment in Local Government	The Group Manager People and Culture provided a response to the matters in raised in the VAGO report into sexual harassment across the local government sector.
Audit and Risk Committee Biannual Activity Report	The Senior Governance Advisor presented the first biannual activity report for the committee's review. The Committee endorsed the report, subject to some changes to the format and process.
Councillor Expense Policy Annual Report	The Senior Governance Advisor provided an annual report setting out Councillor expense reimbursements. The Committee noted the report with no concerns.
Strategic Risk Report August 2021	The Manager Risk and Safety presented the Strategic Risk Report. The Committee acknowledged the improvements and made a number of further suggestions.
Operational Risk Register	The Manager Risk and Safety presented the Operational Risk Register and provided an update on the assessment of the remaining risks.
Occupational Health and Safety Project Plan	The Manager Risk and Safety provided the committee an overview of the roadmap and project plan for the ongoing occupational health and safety project.

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Matter considered	Summary
Recent Reports and Publications - Management response	The Committee received a standing quarterly report from the internal auditor presenting a number of recent reports and publications relevant to the local government sector. The Committee noted the management responses to these reports.
Fraud and Corruption Policy and Control Plan	The Manager Risk and Safety provided an update on the review of the Fraud and Corruption Policy and Control Plan.
Purchase Order Compliance	The Committee noted a quarterly report on compliance with the obligation to raise purchase orders as part of the procurement process.
Local Government Act 2020 deliverables	The Committee noted a standing quarterly report setting out Council's achievement of the milestones in the transition to the Local Government Act 2020.
City of Yarra Annual Budget 2021/2022	The Chief Financial Officer presented the adopted City of Yarra Annual Budget 2021/2022 and Rating and Revenue Plan 2021-2025 to the Committee.
Insurances Renewal	The Manager Risk and Safety provided a report confirming Council's insurance coverage.
End of financial year accounts	The Chief Financial Officer provided a progress report on the finalisation of the end of year financial accounts
Audit and Risk Committee recruitment	The Director Corporate, Business and Finance provided an update on the recruitment of a new committee member following the departure of Vincent Philpot.

### 3 September 2021

Matter considered	Summary
2020-21 Annual Financial Statements, Performance Statement, and Audit Results	The Victorian Auditor General's agent provided an overview of the audit outcomes as set out in the closing report and presented the final management letter. The Committee congratulated management on the outcome. The financial and performance statements were endorsed by the Committee, subject to the incorporation of a number of suggestions.
Annual budget and long term financial plan.	The Director Corporate, Business and Finance presented Council's Annual Budget 2021/2022 and Long Term Financial Plan 2021/22 to 2030/31.

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Matter considered	Summary
Acknowledgement	<p>The Committee and management acknowledged the service of Vincent Philpot upon the conclusion of his terms as a member of the Audit and Risk Committee. The Committee and management expressed their thanks to him for his contribution to the organisation and community.</p> <p>The Committee also acknowledged and thanked Kathy Teasdale of RSD Audit who is concluding her engagement with the City of Yarra.</p>
Meeting with External Auditor	The Committee met with the external auditors in the absence of management.

18 November 2021

Matter considered	Summary
Report by the Chief Executive	The CEO provided a verbal report to the Committee on a range of matters including the Council Plan, 433 Smith Street, the 2022/2023 Budget process, the Mayoral election, the Audit and Risk Committee strategic workshop and her resignation and appointment by Council of an external advisor to assist in the recruitment of the new CEO.
COVID-19 organisational impacts update	The Committee discussed the ongoing organisational impacts of the pandemic as well as the implications of mandatory vaccination for staff and some customers.
Review of actions arising from previous meetings	The Committee reviewed the status of actions arising as a result of matters raised at previous Committee meetings.
Review of actions arising from previous internal audits	The Committee reviewed the status of the implementation of agreed management actions arising from previous internal audits.
Internal Audit - Status Report	Council's internal auditors presented a report on the status of the internal audit program.
Internal Audit - Review of rates revenue (including data analytics)	Council's internal auditors presented its findings following an internal audit into the management of rates revenue. The report resulted in two agreed management actions being added to the database for monitoring.
Internal Audit - Review of Information Technology General Controls	Council's internal auditors presented its findings following an internal audit into Council's information technology general controls. the report resulted in six agreed management actions being added to the database for monitoring.
Internal Audit Report - Review of payroll (data analytics only)	Council's internal auditors presented its findings following an internal audit into Council's payroll data. The report did not result in any management actions being added to the database for monitoring.

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Matter considered	Summary
eLearning Update	The Coordinator Organisational Culture and Capability provided a briefing on the progress of the implementation of a new eLearning system.
Organisational Hazard Register – Update Nov 2021	The Manager Risk and Safety provided an update on improvements to Council's organisational hazard register.
Business Continuity Plan - Update	The Manager Risk and Safety provided an update on Council's business continuity planning plan and processes.
Strategic and Operational Risk Register - Update	The Manager Risk and Safety provided an overview of the risk register.
Refinancing of \$32.5M Loan	The Chief Financial Officer provided a report on options for the re-financing of Council's borrowings.
Yarra City Council Investment Policy 2021	The Chief Financial Officer presented the draft Investment Policy. The Committee endorsed the policy subject to the incorporation of some feedback.
Fraud and Corruption Policy and Plan - Update	The Manager Risk and Safety provided an update on the Fraud and Corruption policy and plan.
Recent Reports and Publications - Management response	The Committee received a standing quarterly report from the internal auditor presenting a number of recent reports and publications relevant to the local government sector. The Committee noted the management responses to these reports.
Local Government Act 2020 deliverables	The Committee noted a standing quarterly report setting out Council's achievement of the milestones in the transition to the Local Government Act 2020.
Quarterly Finance Report - September 2021	The Committee noted a standing quarterly report including the quarterly finance dated September 2021.
Effectiveness of the external audit	In the absence of its auditors, the Committee discussed the effectiveness of the 2021 external audit process with management.

### 30 November 2021

*An informal workshop was held on 30 November 2021 of Audit and Risk Committee members, Councillors and Council's Executive Management Team. The workshop was an opportunity to collectively gain a shared understanding of the state of Council's finances and Long Term Financial Plan. Importantly, it provided an opportunity for Councillors and Executive to hear some independent feedback, counsel and advice from the three experienced members of the Audit and Risk committee.*

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*The workshop included an examination of Council's Long Term Financial Plan and the key assumptions underlying it, as well as a look at the risks to Council's finances, including the ongoing impact of the COVID-19 pandemic. The workshop also looked at Council's cash position, the capital works program and the development of strategic options for addressing the challenges.*

### 13 December 2021

*A meeting was originally scheduled for 6 December 2021 to deal with a number of year end matters. This meeting was cancelled and a small number of matters were dealt with by circular resolution on 13 December 2021 instead. These are show below for completeness.*

Matter considered	Summary
Strategic Internal Audit Plan	The Committee approved to City of Yarra Strategic Internal Audit Plan – Draft 2020–2022 (2022 Focus) in principle, noting that a discussion will be held at the first meeting of the Audit and Risk Committee in 2022.
Meeting Dates	The Committee endorsed a program of meetings in 2002, with meetings scheduled for February, May, August, September and November.
Chairperson	The committee endorsed the appointment of David Ashmore as the Committee Chair for the 2022 calendar year and requested management to present this recommendation for appointment at the next Council meeting.

### Recommendations to Council

The Audit and Risk Committee's oversight role is primarily discharged by providing advice and direction to Council's Chief Executive Officer and senior management, particularly those within the finance, risk management and governance portfolios. That said, it is recognised that there may be circumstances where the Committee may wish to provide advice direct to the Council.

There are three mechanisms for the committee to provide this advice:

- Firstly, the Council has authorised the Audit and Risk Committee through its Charter to request that the Chief Executive Officer table a report from the Committee at a meeting of the Council;
- Secondly, the Local Government Act 2020 provides that the Chief Executive Officer must table a report of the Committee at a meeting of the Council where requested by the Committee Chair; and
- Thirdly, the Local Government Act 2020 provides that a Committee may make formal recommendations to Council in this biannual activity report.

In the period 1 July to 31 December 2021, neither the Committee nor the Committee Chair requested that the Chief Executive Officer table a report at a Council meeting.

At its meeting on 24 February 2022, the Audit and Risk Committee requested that the Chief Executive Officer present the following recommendation to Council along with this biannual activity report:

#### Recommendation

1. That Council note the position of the Audit and Risk Committee that:



- (a) Council is currently in a tight financial position arising from the impact of the COVID-19 pandemic and existing debt levels;
- (b) given the difficult situation, Council is encouraged to give careful consideration to ongoing financial viability when structuring the 2022/2023 Budget and the associated update of the Long Term Financial Plan.