



**Meeting held on Wednesday 24 May 2023 at 10:45am
Via Teams meeting**

Voting Members:

Lisa Tripodi	Independent Member - Chair
John Watson	Independent Member
Iqbal Halim	Independent Member
Cr Jonathon Marsden	Councillor
Cr Peter Hemphill	Councillor

In Attendance:

Aaron van Egmond	Chief Executive Officer
Andrew McLeod	Director Corporate Services
Diane Eyckens	Manager Corporate Integrity and Legal Counsel
Julie Brne	Coordinator Governance and Information Management
Hamish Munro	Chief Financial Officer
David Hayden	Financial Accountant (item 7)
Travis Derricott	Sector Director for Local Government – VAGO (item 7)
Tim Fairclough	Partner – BDO (item 7)
Edward Brennan	Director – BDO (item 7)
Graham Noriskin	Executive Director – Pitcher Partners (item 9)
Richard Wilson	Senior Manager – Pitcher Partners (item 9)
Neville Smith	Senior Advisor Property and Insurance (item 10.1.2)
Roger Verwey	Manager Digital Services (item 10.1.3)
Terri Rowe	Manager People & Culture (item 10.1.3)
Irene Hills-Jones	Governance and Business Support Officer (minutes)

1. WELCOME

The Chair welcomed all those present and acknowledged the Bunurong People of the Kulin Nation as the Traditional owners of these municipal lands and waterways, and paid our respects to Elders past, present and emerging.

2. APOLOGIES

No apologies were received.

3. CONFLICTS OF INTEREST

No conflicts of interest were declared.

4. CONFIRMATION OF MINUTES

In relation to item 6 of the minutes (Action Items), the Committee discussed whether strategic risks should be endorsed by Council. It was agreed that the current process of informing Council of strategic risks via the Audit and Risk Committee update and the CEO's report on operations is sufficient to meet requirements.

5. ACTION ITEMS

The Committee noted the closed action items.

6. AUDIT AND RISK COMMITTEE WORK PLAN

The Chair requested that for each meeting, the relevant column in the Audit and Risk Committee Work Plan be highlighted to clearly indicate the requirements to be addressed.

Action Required	By
Highlight the relevant column in the Audit and Risk Committee Work Plan to indicate the requirements to be addressed at each meeting.	Irene Hills-Jones

7. EXTERNAL AUDIT

7.1 VAGO External Audit Strategy

The Committee congratulated BDO on their appointment as the new VAGO auditors and welcomed Tim Fairclough and Edward Brennan to the meeting.

The Chair requested the External Audit Strategy be brought to the February Audit and Risk Committee meeting next year and an Interim Management Letter be brought to the May Audit and Risk Committee meeting.

Action Required	By
Going forward, the VAGO External Audit Strategy is to be presented at the February Audit and Risk Committee meeting and an Interim Management Letter is to be presented at the May Audit and Risk Committee meeting.	BDO Hamish Munro

Tim Fairclough presented the VAGO External Audit Strategy Memorandum, outlining the planned approach to auditing the financial report, performance statement and known acquittals for this financial year.

With regards to the financial statements, there will be a focus on key risk areas. In particular, the valuation of property, infrastructure, plant and equipment, which represents a significant part of the Council's total assets (\$1.5 billion at the end of the last financial year). Developer contributions, government grants, the IT environment, and fraudulent journal entries will also be reviewed in detail. The impact of flood damage within our municipality during the year did not exceed the threshold of what would be considered 'significant', i.e. \$billions, and therefore will not be included in the scope.

Audit fieldwork will commence in July. Tim Fairclough confirmed the external auditors are comfortable with the timetable and will work towards meeting the reporting timeframes for the 30 August 2023 Audit and Risk Committee meeting.

David Hayden commented on the preparation work that has been completed in advance of the audit to ensure we don't encounter the bottlenecks that have been experienced in the past. We are better resourced and have strongly emphasised deadlines to the relevant staff to ensure we are in a better position compared to last year.

Hamish Munro stated that the Interim Management Letter will be circulated as soon as it is available and will also be included in the next Audit and Risk Committee meeting agenda papers in August.

Action Required	By
Interim Management Letter to be circulated when available and included in the Audit and Risk Committee agenda papers in August.	Hamish Munro

7.2 Audited Financial Report 2022-23 update

Hamish Munro presented the update, indicating that the predicted year-end result is currently based on the March 2023 forecast review and is expected to be more favourably than forecast. The Committee was assured that the recommendations raised by VAGO following last year's audit have been addressed.

Revaluation of drainage assets will be discussed with the auditors as condition assessments have not been performed on every asset, so there will need to be agreement as to how the sample outcomes are applied across the overall asset class. Land and Buildings assets are also being revalued and desktop revaluations will be applied to all other infrastructure assets.

Non-monetary contributions will be included as a result of subdivisions in Maddox/Kororoit Creek and Blackshaws Road.

A recent review by the Property and Insurance team discovered that the Jawbone Reserve in Williamstown is under the control of Parks Victoria. This has been included in the Council's asset register since 2014, so there will need to be discussions with the auditors whether a prior year adjustment is required.

With reference to cash and investment balances, John Watson questioned the proportion related to restricted cash, as some other organisations have encountered issues due to insufficient reserves of unrestricted cash. Hamish Munro agreed to provide an update at the next Audit and Risk Committee meeting.

Action Required	By
Details of the proportion of unrestricted cash held will be presented at the next Audit and Risk Committee meeting.	Hamish Munro

The Chair commended this very useful and informative report and requested that a copy be sent to the external auditors.

Action Required	By
A copy of the Audited Financial Report 2022-23 update will be provided to the BDO external auditors and to Travis Derricott (VAGO).	Hamish Munro

Tim Fairclough, Edward Brennan and David Hayden left the meeting at 11.20am.

Richard Wilson joined the meeting at 11.21am.

Travis Derricott from VAGO joined the meeting at 11.23am, with apologies for being late due to personal reasons.

The Chair welcomed Travis Derricott from VAGO and explained that the Committee had discussed the External Audit Strategy with the newly appointed BDO external auditors and received a comprehensive update on the audit process so far, including how the concerns raised by VAGO about the year-end process last year have been addressed by the Council.

Travis Derricott shared some key messages for the sector following reflection on the previous year's audit cycle. Particular attention was drawn to the model accounts 2022-23 where some notes have been highlighted in red text to indicate they can be deleted if immaterial. The Committee discussed the potential implications of removing notes that are not relevant in light of the increasing focus on public transparency. Travis Derricott acknowledged this could be an issue and that it will be interesting to see how organisations approach this across the sector. Representatives from Local Government Victoria have already identified a strong reluctance by Councils to remove notes for this reason. Although this is a management decision, VAGO is encouraging Councils to be brave and work with their external auditors to remove notes if they are not relevant, or try a gradual approach of removing some notes this year and assessing the response. A briefing paper setting out what has been removed, and why, should help to reduce public concerns over lack of transparency. The CEO supported efforts to address over-reporting and welcomed any further guidance from VAGO on this issue. John Watson recommended to Committee members the local government podcast from VAGO on 23 May 2023 to reinforce the message: <https://youtu.be/MaUC3Tkblck>. Hamish Munro noted the model budget has reduced significantly in size over the last few years, making it easier to produce and better to read. The above changes align with this trend and are welcome.

Travis Derricott informed the Committee that the VAGO Audit Plan 2022-23 includes a performance audit on capital works budgeting as this has been identified as an issue across the sector, including before the COVID-19 pandemic. The Committee discussed Hobsons Bay City Council's positive record of delivering its capital works, with over 90 per cent delivery rate each year over the last 3 years. Andrew McLeod commented this has been a significant area of focus and the benefits can be seen and felt across the municipality.

The Chair thanked Travis Derricott for his time and contribution to the meeting.

Travis Derricott departed the meeting at 11.47am.

Roger Verwey joined the meeting at 12.05pm

8. CONTROL FRAMEWORK

8.1 Chief Executive Officer's update

The CEO briefed the Committee about the Council meeting on Tuesday 9th May 2023, where security measures were put in place to minimise the impact of any potential disruptions, similar to those that have occurred recently at other metro Councils. The meeting was held with minimal disruption in the Council Chamber, whilst ensuring the safety of all Councillors, staff and community members attending.

Going forward, the CEO update will include monthly reports, including details of costs against the budget, on each of the 3 components of the Enterprise Resource Project: Electronic Document Management System (EDMS) and Intranet; Community Relationship Management (CRM); and Portfolio Project Management (PPM). These reports are currently presented to ELT for review each month, providing an opportunity for variations and anomalies to be discussed.

Summary data from the staff engagement survey was presented to the Committee. The overall figures reflect a more positive outcome in comparison to the previous survey. Also, a higher participation rate provides feedback from a wider proportion of staff across the organisation, although we are mindful that the participation rates varied across teams. Key contributors to increased engagement include the improved office environment, better communication via the weekly Huddle meetings and the weekly CEO 'The Next Wave' newsletters to promote staff understanding of what and how the organisation operates, greater collaboration across teams, and a series of 'flying squad' projects to help implement key initiatives.

With reference to the organisation's downsizing over the last 5 years, Cr Hemphill queried whether the favourable results could be attributed in part to the departure of formerly disengaged staff. The CEO acknowledged this was one factor but also highlighted that some highly engaged staff had also left during the same period for a range of reasons, and that high levels of staff transition have been reported across the sector.

The CEO confirmed that Council is not currently engaged in EBA negotiations. In response to the Chair's question as to whether this presented a risk in terms of losing staff to other Councils that are negotiating pay, the CEO acknowledged that we could face challenges if staff move to other Councils for higher pay, but this is not the only determining factor.

8.2 Statutory Compliance update

Andrew McLeod presented the statutory compliance update, a new report that will be presented to ELT each quarter prior to the Audit and Risk Committee meeting, and invited member's feedback on the content of the report.

The Chair thanked management for this comprehensive report that draws data from different parts of the organisation and recognised the benefit to ELT of receiving this regular update. Iqbal Halim gave his support for the report and queried the source of legislative updates, to which Andrew McLeod stated the organisation subscribes to a number of services, including Law Compliance and SAI Global. Discussion about mandatory compliance training, especially for new starters in key areas such as OH&S, noted that staff are not able to pass their probation until they have completed all the mandatory training modules. It was noted the probation period is 6 months.

8.3 Outstanding Audit Recommendations

Iqbal Halim drew attention to the IT Cyber Security Governance audit actions, most of which are due at the end of June 2023, and asked whether the organisation has sufficient resources to resolve the actions by this date. Roger Verwey assured the Committee that work is in progress to complete the actions by this deadline, including a phishing exercise. This will be followed by cyber awareness training and a further phishing exercise to test the effectiveness of the training.

The Committee noted that progress against new audit actions was not reflected in the % column and emphasised the need to ensure the percentage completion rate and

management comments are updated for all open actions, and not just those that have exceeded their original target date.

Action Required	By
Progress comments and percentage completion rates should be stated for all open audit actions.	Irene Hills-Jones

8.4 Enterprise Resource Planning Strategy – Progress Update

The Chair requested the names of presenters be added against each item in the agenda.

Action Required	By
Each agenda item should indicate the name of the presenter.	Irene Hills-Jones

Andrew McLeod restated that this progress update will be replaced by the inclusion of monthly reports on each of the 3 components of the Enterprise Resource Project, as mentioned in the CEO update.

In response to the Chair’s question about whether the project is on track, Roger Verwey reported that there may be some slippage to the Electronic Document Management System (EDMS) project if larger volumes of data need to be migrated, however staff are being encouraged to archive documents where possible. Andrew McLeod added that the focus of the project is on effective implementation, in line with the scope and budget, rather than meeting deadlines.

9. INTERNAL AUDIT

9.1 Internal Audit Program update

- Internal Audit Status Report
- Recent Issues Brief

The Internal Audit Status report and Recent Issues Brief were taken as read.

9.2 Internal Audit Program – completed report and draft scopes

- Volunteer Management report

Graham Noriskin presented the Volunteer Management report, commenting that Councils are starting to gear up their volunteer programs again following the COVID-19 pandemic. He acknowledged that Hobsons Bay City Council has an established system and framework for managing its volunteer program and the recommendations raised in the report reflect improvement opportunities rather than deficiencies.

The Chair asked how management had found the review process, to which Andrew McLeod responded that the findings are useful and there were no surprises. It is encouraging to hear we are engaging and recognising volunteers beyond the compulsory requirements and we acknowledge there is room to perform even better.

John Watson noted the management actions are worded differently to the recommendations. Richard Wilson assured the Committee that the auditors are satisfied

the issues raised are adequately addressed by the agreed actions and future audit reports will clearly state whether the recommendation is 'agreed'. Andrew McLeod commented on the positive internal audit relationship with Pitcher Partners to agree appropriate actions to address issues identified.

In response to Iqbal Halim's query about whether any privacy or data security concerns were identified during the audit, Richard Wilson assured the Committee there were no such concerns and that all stakeholders were working towards a centralised and consistent system of recording information relating to volunteers.

Cr Marsden was assured that older members of the community who may not be confident about using technology can seek assistance from the Customer Services team to fill in any required forms online, whether for volunteering purposes or otherwise.

The Volunteer Management audit report was endorsed by the Audit and Risk Committee.

- **Follow Up Review**

The Committee were pleased that all actions in the report had been implemented and that no actions required re-opening. Richard Wilson stated that some cybersecurity-related actions have not been included in this review as they will be incorporated into the upcoming audit of Cyber Security Technical Controls.

The Follow Up Review was endorsed by the Audit and Risk Committee.

- **Cyber Security Technical Controls Internal Audit Scope**

The Committee endorsed the Cyber Security Technical Controls scope and look forward to receiving the report at the next Audit and Risk Committee meeting in August.

- **Digital Transformation Internal Audit Scope**

The Committee endorsed the Digital Transformation scope. The report will be presented at the November Audit and Risk Committee meeting.

Terri Rowe joined the meeting at 12.40pm.

10. RISK MANAGEMENT

10.1 Risk Management update

With reference to the Strategic Risk Register, Iqbal Halim noted that all the residual risk ratings are the same as the current risk ratings, and queried why there is no movement after the proposed treatment plans are implemented. Andrew McLeod explained that the RiskWare software is not ideal for illustrating changes to the risk profiles after treatment plans, as the likelihood and/or consequence of a moderate risk occurring may be reduced after a treatment plan has been implemented, but the risk could still be identified as a (lower) moderate risk. It is still worth implementing the treatment plan.

Iqbal Halim asked if management are comfortable accepting residual risk ratings that are 'high' and whether these are within the organisation's risk appetite. Andrew McLeod responded that the strategic risks are currently being reviewed.

In relation to the Chair's question about what risk treatments are in place for the strategic risks, Andrew McLeod explained that details of risk treatments will be presented to the Committee as part of the 'risk in focus' presentations at each meeting.

Terri Rowe gave a presentation on the strategic risk relating to organisation culture.

Terri Rowe departed the meeting at 12.49pm.

Roger Verwey gave a presentation on the strategic risk relating to information technology security.

The Committee discussed the processes in place for managing and reporting on the Council's strategic and operational risks. The independent members and Internal Auditor agreed to provide examples of best practice risk management across the sector, including reporting templates.

Action Required	By
Examples of recommended risk report templates to be provided to Hobsons Bay City Council.	Lisa Tripodi John Watson Iqbal Halim Richard Wilson

10.2 Occupational Health and Safety Report

The Occupational Health and Safety report was noted.

11. EXTERNAL ACCOUNTABILITY

11.1 Quarterly Financial Report – Period Ended 31 December 2022

The report was taken as read.

11.2 Cash and Investment Balances

The report was taken as read.

11.3 Capital Works Quarterly Report

The report was taken as read.

12. OTHER BUSINESS

The Chair thanked all the members and attendees for their contribution and apologised for the late running of the meeting due to separate discussions with VAGO and the external auditors.

Proposed dates for Audit and Risk Committee meetings are to be circulated and confirmed out of session. In future, a paper should be included in the May agenda papers with the proposed dates for the following year's Audit and Risk Committee meetings after consultation with members beforehand.

Action Required	By
Proposed meeting dates for 2024 to be circulated to members and confirmed out of session. Going forward, the proposed dates for the following year's Audit and Risk Committee meetings is to be included in the May agenda papers after consultation with members.	Irene Hills-Jones

13. NEXT MEETING

The next meeting will be held in person on 30 August 2023 at 10:45am in Meeting Room 3 at the Civic Centre.

The meeting closed at 1:10pm.