



Meeting held on Wednesday 22 February 2023 at 10:45am

In person

Voting Members in attendance:

Lisa Tripodi	Independent Member – Chair
John Watson	Independent Member
Cr Jonathon Marsden	Councillor
Cr Peter Hemphill	Councillor

Others in attendance:

Cr Antoinette (Tony) Briffa	Mayor
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
Magali Theunissen	Risk and Emergency Management Advisor (Item 9.1)
Neville Smith	Senior Advisor Property and Insurance (Item 9.1)
Graham Noriskin	Executive Director – Pitcher Partners
Richard Wilson	Senior Manager – Pitcher Partners
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 respects to Elders past, present and emerging.

This is the first meeting to be held in person since the COVID-19 pandemic. Going forward, the Committee agreed to meet two times per year in person and two times per year via Teams meeting, on an alternating basis.

2. APOLOGIES

Iqbal Halim, Independent Member

3. LEGISLATIVE COMPLIANCE

3.1 Conflicts of Interest

Nil items

4. EXTERNAL AUDIT

4.1 External Audit Strategy Memorandum

The Committee noted that Tim Fairclough of BDO (Binder Dijker Otte) Audit, Tax and Advisory services, has been appointed by VAGO to conduct the end of year financial audit at Hobsons Bay for 2022-23. Finance officers will be meeting with the new auditors in a couple of weeks to start the audit planning process and to draft the audit strategy.

Action Required	By
Draft External Audit Strategy to be circulated when ready, and formally presented at the next Audit and Risk Committee.	Hamish Munro

Hamish Munro confirmed that the lessons learned from last year are being incorporated into the audit planning process. Discussions with various stakeholders have already commenced, with a particular focus on the performance statement. Staff have also been reminded of the high priority accorded to reporting this information as part of the local government framework mid-year review process.

5. CONFIRMATION OF MINUTES

The minutes of the meeting held on 23 November 2022 were confirmed with no amendments.

John Watson requested that future minutes be circulated soon after the meetings for members to endorse out of session. The minutes can then be formally confirmed at the next Audit and Risk Committee meeting.

The Chair requested that the Audit and Risk Committee Work Plan be included as part of the agenda pack for every meeting to help ensure all tasks are completed according to the agreed plan.

Action Required	By
Audit and Risk Committee meeting minutes to be circulated to members after each meeting for endorsement out of session.	Irene Hills-Jones
Audit and Risk Committee Work Plan to be included as part of every agenda pack going forward.	Irene Hills-Jones

6. ACTION ITEMS

The Committee noted the closed items and extended their appreciation to staff for the work in completing these.

With regards to strategic risks, Andrew McLeod informed the Committee that these are currently being revised prior to presentation to the Executive Leadership Team (ELT) for review and approval. The strategic risks will then be reported to Council either through the CEO Update or the Audit and Risk Committee Update.

John Watson noted the importance of Council taking ownership of the strategic risks and strongly advised that these be adopted by Council resolution. There was also discussion

around the benefits of inviting Councillors to participate in strategic risk workshops to enhance their understanding of the organisation’s risks. Andrew McLeod agreed to take these suggestions on notice.

Action Required	By
Confirm the process for reporting strategic risks to Council, including whether these are to be adopted by Council resolution.	Andrew McLeod

7. CONTROL FRAMEWORK

7.1 Chief Executive Officer’s update

On 15 February 2023, the CEO hosted the first “all staff” meeting since before the COVID-19 pandemic. The focus of the meeting was to reflect on all the work achieved over the last four to five years and to share the Strategic Priorities moving forward: Health and Wellbeing, Customer Experience, and Collaboration and Connection. In promoting staff health and wellbeing, the CEO drew on research that demonstrates people with positive mindsets are more likely to be happier in their own lives and more likely to perform at a higher level in the workplace. The Committee expressed their support in driving the culture of the organisation, especially after the lockdowns. In response to the Chair’s query about return-to-work arrangements, the CEO stated that all staff are now required to attend the workplace between three and five days per week, depending on the nature of the service provided.

The CEO informed the Committee that a staff satisfaction survey is underway. The annual community satisfaction survey of 400 households has also commenced, in line with other Councils across Victoria. The Committee discussed whether the community survey is likely to continue, noting that while such feedback plays a role, there are other ways to engage with the community.

Development of the annual budget for 2023-24 is underway. Hamish Munro reported that about 10 workshops have taken place so far, to consider the long-term financial plan, the capital works program (and the impact of increased construction costs on delivery of this program) and rate capping. Andrew McLeod expressed his confidence in the Council’s position at present, noting the unexpected 3.5 per cent rate increase. Cash flow is being actively managed and alternative sources of revenue are being explored. Discussion of the long-term financial planning updates provided to the Audit and Risk Committee in the quarterly finance reports noted that these include financial planning projections and performance against VAGO performance indicators. The report also includes other performance indicators relating to “aspirational” targets aimed at changing the way things are done at Hobsons Bay City Council. Hamish Munro noted the Council has taken a conservative approach to recovery of income post-COVID and reported that income is recovering quicker than anticipated.

The Committee discussed the implications of the recent introduction of WorkSafe Victoria guidelines to increase the buffer distances around major hazard facilities, noting this could have a big impact on the Council and residents.

The Committee congratulated Aaron van Egmond on his re-appointment as CEO for another five years. (Note: the CEO Update in the agenda pack should read that Council resolved the CEO’s reappointment on 13 December 2022, not 2023.)

7.2 Outstanding Audit Recommendations

The Committee agreed that the audit action listed as completed could be removed from the Outstanding Audit Recommendations listing.

7.3 Enterprise Resource Planning Strategy – Progress Update

The report was taken as read. Committee members noted the inclusion of the “budget to actual” figures to facilitate tracking of costs, and commented these updates are useful.

7.4 Audit and Risk Committee Biannual Report

The Audit and Risk Committee endorsed the Biannual Report (September 2022 – January 2023) to be presented at the next available Council Meeting.

8. INTERNAL AUDIT

8.1 Internal Audit Program update

- **Internal Audit Status Report**
- **Recent Issues Brief**

The Internal Audit Status report was taken as read.

The Chair thanked management on behalf of the Committee, for the comprehensive responses provided in the Recent Issues Brief. Graham Noriskin and Richard Wilson highlighted that conversations in the cyber security space are shifting away from blocking access to systems, to securing information and managing data access.

8.2 Internal Audit Program – completed report and draft scopes

- **Data Analytics (Procurement) report**

Richard Wilson presented the Data Analytics internal audit report, noting this is the first time Pitcher Partners has carried out the review at Council. The audit focused on the integrity of the Masterfile data and identifying potential duplicate data or duplicate transactions. A few anomalies were identified, and the results provided to Finance to be addressed. Hamish Munro noted the benefits of carrying out this annual exercise and commented on the timeliness of the review in identifying issues to be incorporated into the new finance system. The Committee agreed that any issues relating to control breakdowns should be addressed first before correcting the anomalies identified through testing. Hamish Munro added that if any control issues cannot be fixed from a system perspective, then other mitigating controls will be implemented instead. Progress will be reported to the Committee through the quarterly Open Audit Actions report.

The report was endorsed by the Audit and Risk Committee.

- **Volunteer Management scope**

The Committee discussed whether the scope implied any contradiction between the section on “recruitment screening processes (including appropriate checks, licences, and references)” and the section stating that “volunteers are required to understand their roles and gain the knowledge, skills and feedback needed to carry out their duties safely and effectively”. Richard Wilson explained that one did not necessarily preclude the other and agreed to amend the wording to clarify the intention.

Action Required	By
Amend the Volunteer Management internal audit scope to clarify and remove any potential contradiction between the fifth and ninth points.	Richard Wilson

The Committee endorsed the Volunteer Management audit scope, noting that the fieldwork will start in March 2023.

- **Follow Up Review scope**

The Committee endorsed the Follow Up Review scope, noting that the fieldwork will start in March 2023.

9. RISK MANAGEMENT

9.1.1 Insurance update

Neville Smith presented the Insurance Update, noting that Council is currently tendering for the appointment of a broker. Advice received indicates that premiums have increased by about 15 per cent across all areas. The Chair requested an update at the next Audit and Risk Committee meeting.

Action Required	By
An update on the appointment of the insurance broker is to be provided at the next Audit and Risk Committee meeting.	Neville Smith

Neville Smith reported an increase in the number of claims lodged with Echelon as the member of staff administering claims is relatively new to the job and has been sending through more claims to Echelon for advice, rather than settling the claims directly. The main causes of claims relate to tree branch debris from high winds, potholes, and trips or falls due to insufficient maintenance of property. Overall, the number of claims is consistent with previous years.

In response to the Chair's query about the impact of occupational violence, Andrew McLeod stated that the number of incidents has been relatively static following a spike during the pre-Christmas period, with five people being suspended from using the library service over the last quarter. The implementation of a policy around managing unacceptable behaviours, and staff training to de-escalate potential incidents, have helped to reduce this issue. Arrangements are also in place for the local police to respond quickly if required.

9.1.2 Risk Management update

The Chair welcomed Magali Theunissen to present the risk management update. It was noted that the review of the operational risk register has now been completed and the current top ten strategic risks have been added to the Risk and Insurance Report at item 9.1.3. The current strategic risks were last workshopped a year ago and are currently being revised by management prior to review and approval by ELT. The Chair commented on the moderate risk ratings assigned to the current climate change and cybersecurity risks, and suggested it may be worth noting that these are generally rated as "extreme" or "very high" across the industry.

The Committee expressed their keen desire to include a “risk in focus” briefing at each meeting, with the risks taken from the strategic risk register. This will help Committee members to better understand what the risks mean in the context of Council, what the underlying issues behind the risks are, the risk appetite, and any proposed treatment plans. Andrew McLeod agreed this will be included as part of the standing agenda once the strategic risks have been signed off by ELT.

Action Required	By
A “risk in focus” taken from the revised strategic risk register is to be presented at each Audit and Risk Committee meeting.	Andrew McLeod

9.2 Occupational Health and Safety Report

The Occupational Health and Safety report was noted.

9.3 Fraud and Corruption Control

Hamish Munro presented the revised Fraud and Corruption Control Policy in line with the requirements of the Audit and Risk Committee Charter. There is an outstanding audit action regarding fraud training that is being progressed with the Organisational Development team who are creating an online training module for all staff to undertake. The Chair thanked Hamish Munro, commending the use of a fraud risk register to provide details of specific fraud related risks.

The Audit and Risk Committee endorsed the revised Fraud and Corruption Control Policy to be presented to Council for adoption.

10. EXTERNAL ACCOUNTABILITY

10.1 Quarterly Financial Report – Period Ended 31 December 2022

The report was taken as read. John Watson commented that the operational budget surplus of \$3 million looks healthy. Andrew McLeod spoke to the efforts Hamish Munro and the Business Partners have taken to improve understanding of when debts are likely to fall, including monthly meetings with the relevant managers. In relation to depreciation of non-cash items, Hamish Munro explained the budget is set prior to revaluation at year end. Taking out the depreciation amount would improve the surplus position. Management is hopeful the year end result will be more favourable. He added that the organisation is relatively conservative in its approach to expenditure, and although management are better at capturing the impact of employee costs, there is a need to improve the way we capture the impact of cost of materials.

10.2 Cash and Investment Balances

The report was taken as read.

10.3 Capital Works Quarterly Report

The report was taken as read.

11. OTHER BUSINESS

Andrew McLeod notified the Committee that conversations were taking place around refining the proposed statutory compliance report. A draft template will be circulated for comment.

Action Required	By
A draft statutory compliance report template will be circulated to Committee members for comment.	Andrew McLeod

12. NEXT MEETING

The next meeting will be held virtually on 24 May 2023 at 10:45am via Teams.

The meeting closed at 12:39pm.