



**AUDIT AND RISK COMMITTEE MEETING OF
THE HUME CITY COUNCIL**

MONDAY, 29 AUGUST 2022

**MAYGAR ROOM, HUME CITY COUNCIL, 1079 PASCOE VALE
RD, BROADMEADOWS**

CONFIRMED - 25 November 2022.

HUME CITY COUNCIL

Minutes of the
AUDIT AND RISK COMMITTEE MEETING OF THE HUME CITY COUNCIL
held on Monday, 29 August 2022
at 9:03AM

To: a: Committee Members	Mr David Nairn Cr Carly Moore Ms Jenny Johanson Mr Shannon Buckley – via Zoom	Chairperson
b: Officers	Ms Sheena Frost Mr Fadi Srour Ms Megan Kruger Mr Robert Costa Mr John Thomas	Chief Executive Officer Chief Financial Officer Manager Governance Acting Manager Finance Coordinator Risk Management
c: Internal Auditors	Mr Kundai Mtsambiwa	HLB Mann Judd
d. External Auditors	Mr Travis Derricott Mr Jung H. Yau	Victorian Auditor General's Office Victorian Auditor General's Office
e: Observer	Cr Jodi Jackson	

ORDER OF BUSINESS

1. APOLOGIES

An apology was received from Committee Member Councillor Sam Misho and Mark Holloway, HLB Mann Judd.

2. DISCLOSURE OF INTEREST

2.1 The Chairperson drew the attention of the Committee Members to the provisions of the *Local Government Act 2020* and Council's Governance Rules in relation to the disclosure of conflicts of interest. Committee Members' are to disclose any conflict of interest immediately before consideration or discussion of the relevant item. Committee Members are then required to leave the meeting during discussion and not vote on the relevant item.

2.2 All people present at the meeting were required to advise the committee of any matter that the committee should be aware of.

No person present declared a conflict of interest, nor advised that there was any matter that should be brought to the attention of the Committee.

3. CONFIRMATION OF COMMITTEE MINUTES

Minutes of the Audit and Risk Committee Meeting of 27 May 2022, including Confidential Minutes.

RECOMMENDATION:

The Minutes of the Audit and Risk Committee Meeting of 27 May 2022, were confirmed.

4. OFFICERS' REPORTS

Report No.	Report	Page in Agenda
4.1	Matters Arising from the Minutes	3

Megan Kruger, Manager Governance provided an overview of the report, and invited discussion from the Committee. Discussion was had in regards to Council's requirements for reporting on data security.

Megan Kruger advised the Committee:

- Council is working on a Data Breach Policy which is expected to be approved within the next month.
- Council is currently working through it's Protective Data Security Plan requirements. This will not be completed by the due date of 31 August 2022 and OVIC has been advised accordingly. The completion of this Plan is being undertaken by an external consultant and is anticipated to be completed by 31 October 2022.
- The Committee were disappointed that Flexbooker did not indicate in their response what they had done to minimise the possibility of it happening again.

RECOMMENDATION:

The Audit and Risk Committee noted the report.

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4.2	Year End Accounts 2021/22	5

- External Auditor's Travis Derricott and Jung H. Yau provided the Committee with an overview of the draft closing report, noting the report will be completed in a weeks' time. A number of minor matters were identified, and the Auditors will go over these with Finance. All risk issues identified in their Audit Strategy had been audited with a satisfactory outcome and they performed a test of the IT general controls, which they were able to rely on which is unusual in municipalities. Still reviewing Government Grants, will be completed in final report.
- Robert Costa, Acting Manager Finance provided the Committee with an overview of the Year End Accounts 2021/22, detailing we finished the year with a surplus of \$132.2m which is \$7.4m unfavourable but this result has been impacted by COVID.
- COVID has affected our services, particularly in the first six months of the financial year, but as we emerge from the pandemic we are starting to see our user fees return to a more normal level which is expected to continue into the 2022/23 financial year.
- Since the pandemic, Council provided a \$14.5m stimulus package including \$5.5m in 2021/22 offering a range of measures to support the community and businesses that were impacted.
- The impact of rising inflation rates on the NPV calculation of our landfill provision resulting in an interest expense of \$8.5m. Excluding the

impact of the timing differences and the NPV calculation, the underlying result is a little better than expected.

- Despite the unfavorable variance, our financial ratios and cash position remain strong, and our fixed assets are now exceeding \$4.5B which is a reflection of the amount of growth in our municipality, our extensive capital works program and the large revaluation of \$337m mainly due to increases in land values and the impact of inflation on our infrastructure assets.
- The other thing to impact our future results is the rising interest rates which will positively impact Council's future investment earnings.
- Discussion was had in relation to the format and content of the report, seeking clarification of a few items, and the Committee were satisfied with the response.
- The Chairperson, on behalf of the Committee, noted well done to the Finance Team and congratulations on getting the report through.

RECOMMENDATION:

- 2.1 The Audit and Risk committee recommended that Council provide in-principal approval of the financial statements for 2021/22, subject to any final changes recommended by Victorian Auditor-General's Office (VAGO) Audit.**

Joel Farrell, Manager Organisational Performance & Strategy and Manoja Ratnayake, Coordinator Council Planning & Performance Reporting, joined the meeting, the time being 9:20am

Report No.	Report	Page in Agenda
4.3	Preparation of the Performance Statement 2021/22 including the Local Government Performance Reporting Framework	7

Joel Farrell, Manager Organisational Performance & Strategy provided an overall summary of the report detailing the following highlights, and invited discussion from the Committee:

- Areas still being impacted through COVID-19, particularly with user fees and Animal Management shows a decline of animals being collected, but an increase of animals being surrendered.
- Libraries still challenging from the effects of COVID-19, impacting on active library borrowers. Library Services implemented a click and collect service and a home delivery service that increased the level of borrowers.

The Chairperson and Committee members noted it was a good report, that provided good explanations in the overview.

RECOMMENDATION:

- 2.1 The Audit and Risk Committee recommended that Council provide in-principal approval of the Draft Performance Statement 2021/22 (Attachment One), subject to any final changes recommended by Victorian Auditor-General's Office (VAGO) Audit.**
- 2.2 The Audit and Risk Committee noted the 2021/22 Governance and Management Checklist (Attachment Three), service performance information (Attachment Four) and indicator**

results, comparisons to previous year's results and material variation comments (Attachment Five).

Joel Farrell, Manager Organisational Performance & Strategy, Manoja Ratnayake, Coordinator Council Planning & Performance Reporting and Robert Costa, Acting Manager Finance, left the meeting, the time being 9:41am

IN-CAMERA SESSION WITH AUDITORS

The Chairperson asked the Chief Executive Officer and Council Officers to leave the meeting so that the Audit and Risk Committee could have a confidential discussion with the External Auditor's, Victorian Auditor General's Office, and the Internal Auditor, HLB Mann Judd.

The Chief Executive Officer and Council Officers left the meeting, the time being 9:41am.

The Chairperson invited the Chief Executive Officer and Council Officers back into the room and resumed the meeting, the time being 9:49am.

The Chair reported the auditors were happy with Hume and their management and provided positive feedback about working with management.

External Auditor Mr Travis Derricott and Mr Jung H, Yau left the meeting, the time being 9:50am.

Anne Mallia, Manager Family, Youth and Children joined the meeting, the time being 9:50am.

Report No.	Report	Page in Agenda
4.4	Safeguarding Children and Young People Policy Anne Malia, Manager Family, Youth and Children provided an overview of the report, and answered questions from the Committee.	9

RECOMMENDATION:

That the Audit and Risk Committee noted the report.

The Chairperson, on behalf of the Committee, thanked Anne Malia for her report.

Anne Malia, Manager Family, Youth and Children left the meeting, the time being 10:00am.

Report No.	Report	Page in Agenda
4.5	Insurance Renewal 2022/23 Megan Kruger, Manager Governance provided an overview of the Report and invited discussion from the Committee. Discussion was had in relation to the increased costs in the Insurance Renewal, especially relating to Cyber Security and the size of the excess and number of exclusions.	11

The Chairperson requested that a report be provided at the November 2022 Audit and Risk Committee meeting detailing Cyber Security exclusions, differences in the exclusions from the previous year and information about risk in relation to Cyber Security insurance in the future.

RECOMMENDATION:

The Audit and Risk Committee noted the report.

Report No.	Report	Page in Agenda
4.6	Self-assessment against external agency reports - August 2022	15

Megan Kruger, Manager Governance provided an overview of the Report and invited discussion from the Committee. Discussion was had in relation to Councillors meeting with property developers and objectors in planning matters, noting that it may not be clear to all Councillors what the current expectations are, and that these expectations are likely to change following the report into Casey which is expected to be released later this year.

Following the release of this report a procedure will be prepared to include that, and to encourage a staff member to be present with a Councillor when meeting with a developer or objector.

RECOMMENDATION:

- 2.1. That the Audit and Risk Committee noted the report.
- 2.2. That the outstanding actions remain in the Management Status Report until all recommendations have been completed.

Report No.	Report	Page in Agenda
4.7	Audit and Risk Committee Business Undertaken Out of Session - Review of Procurement Scope	21

RECOMMENDATION:

The Audit and Risk Committee noted the approval made out of session on the Internal Audit Scope – Review of Procurement Scope.

Report No.	Report	Page in Agenda
4.8	Annual assessment of performance against Audit and Risk Committee Charter	23

Megan Kruger, Manager Governance, provided an overview of the report noting the report is slightly different to previous years as the survey has been improved and completed electronically, and invited discussion from the Committee.

Discussion was had in relation to the results and what will come next in relation to areas which have been identified for improvement. The Chairperson will work with Megan Kruger to identify next steps in relation to improving the performance of the Committee offline before the next Meeting.

RECOMMENDATION:

- 2.1 The Audit and Risk Committee considered and noted the report.
- 2.2 This report be provided to Council's Chief Executive officer for tabling at the next Council meeting in accordance with section 54(4)(b) of the Local Government Act 2020.

Report No.	Report	Page in Agenda
4.9	<p>Audit and Risk Committee Business Undertaken 1 January 2022 - 30 June 2022</p> <p>RECOMMENDATION:</p> <p>2.1 The Audit and Risk Committee noted this report of its activities undertaken for the period 1 January 2022 – 30 June 2022.</p> <p>2.2 This report be provided to the Chief Executive Officer for tabling at the next Council Meeting in accordance with section 54(5)(b) of the Local Government Act 2020.</p>	25
4.10	<p>Internal Audit - Strategic Plan 2021/24 Status Report - August 2022</p> <p>Kundai Mtsambiwa of HLB Mann Judd provided an overview of the report to the Committee, detailing where HLB are in relation to the annual program, and advising there will be a few reports to provide to the Committee at the next meeting.</p> <p>The Chairperson on behalf of the Committee thanked Kundai for providing a detailed report.</p> <p>RECOMMENDATION:</p> <p>2.1 The Audit and Risk Committee noted the Internal Audit Strategy Update for August 2022.</p>	27
Late Report	<p>Internal Audit Scope – Review of BCP, DRP and Emergency Management</p> <p>Megan Kruger, Manager Governance, provided an overview of the report and invited discussion from the Committee.</p> <p>The Committee Members advised they had read and reviewed the Report, advising that all areas have been covered.</p> <p>RECOMMENDATION:</p> <p>The Audit and Risk Committee reviewed the Internal Audit Scope for the Review of BCP, DRP and Emergency Management and provided any feedback on the Scope to the Internal Auditors.</p>	Page in Agenda
4.11	<p>Internal Auditor Annual Assessment</p> <p>Megan Kruger, Manager Governance, provided an overview of the report and invited discussion from the Committee.</p> <p>The Committee Members enquired if they were the right group of people to assess the performance of the Internal Auditors, and asked that the Managers involved in Internal Audits in the previous 12 months be invited to complete the survey next year.</p>	Page in Agenda 29

RECOMMENDATION:

The Audit and Risk Committee considered and noted the Report.

Report No.	Report	Page in Agenda
4.12	Recent Reports and Publications - August 2022	31

Kundai Mtsambiwa of HLB Mann Judd provided an overview of the report and invited discussion from the Committee.

RECOMMENDATION:

The Audit and Risk Committee noted the Report.

Report No.	Report	Page in Agenda
4.13	Reimbursed Out-of-pocket Expenses Paid to Councillors - 1 April to 30 June 2022	33

RECOMMENDATION:

The Audit and Risk Committee noted the report.

Report No.	Report	Page in Agenda
4.14	Management Status Report August 2022 - Audits	35

Megan Kruger, Manager Governance, provided an overview of the report and invited discussion from the Committee. A question was raised in reference to the Action Target Date, asking that if the date is long term there is a need to identify the mitigating controls in the interim.

Megan Kruger advised that a new column will be added in the report for the next meeting to capture any mitigating controls.

RECOMMENDATION:

The Audit and Risk Committee noted the:

- 2.1 Management actions to date; and
- 2.2 Audit Action Guidelines.

Report No.	Report	Page in Agenda
4.15	Proposed Agenda for 25 November 2022 Audit and Risk Committee meeting	37

RECOMMENDATION:

The Audit and Risk Committee noted the report.

ITEM
Apologies
Disclosure of Interest
Confirmation of Committee Minutes
Actions Arising from the Minutes
GENERAL BUSINESS
Legislative Compliance and Ethics Program - Annual Update
Risk Register Update

Integrity Report – November 2022
Staff Survey Results - 2022
Review the Performance of the External Auditors
Setting of Audit and Risk Committee meeting dates for 2023
Reports as required: <ul style="list-style-type: none"> • Business Undertaken Out of Session • Self-assessments against external agency reports • OH&S Act 2004 Improvement Notices • Fraud Register Notifications
INTERNAL AUDIT
<u>Internal Auditor Declarations*</u>
Internal Audit Strategic Plan Status Report
Internal Audit Planning Documents (as required)
Internal Audit Reports (as required):
Recent Reports and Publications - Updates
STANDING REPORTS
Review of Quarterly Financial Reports
Reimbursed out-of-pocket expenses paid to Councillors - 1 July - 30 September 2022
Management Status Reports – November 2022
Directors Presentation – Director Customer & Strategy
CEO's Update & Emerging Issues (Confidential as required)
Proposed Agenda Outline – February 2023
Pulse Check

Mr Carl Muller, Director Customer and Strategy, joined the meeting, the time being 10:41am

4.16 ADDITIONAL AGENDA ITEM

PRESENTATION – UPDATE ON ERP RISKS

Mr Carl Muller, Director Customer And Strategy

Mr Carl Muller, Director Customer and Strategy, provided the Committee with an overview of the context of the ERP program for Council's recording of ERP Risks, detailing:

- Hume City Councils on premise Enterprise Reporting and Planning (ERP) solution, Tech One, will no longer be supported from the end of October 2024.
- We are looking at options to address this risk. A recent options assessment is being independently reviewed, and in parallel a business case is being developed to help clarify the way forward. It is likely we will be out of a support agreement by the October 2024 deadline.
- We are engaging with other Councils to learn from their recent large-scale technology enabled reforms.

Discussion was had in relation to the issues that may arise, and to be cautious when selecting the best option for Council.

Kudai Mtsambiwa advised the Committee, there is a lot of Councils in same position having to update their systems. He is happy to introduce Carl Muller to other IT Managers.

Chief Executive Officer, Sheena Frost advised she is happy to have an out of session meeting with the Committee and others.

The Chairperson thanked Mr Carl Muller for his time in attending and providing the Committee with his presentation.

Mr Carl Muller, Director Customer and Strategy, left the meeting, the time being 11:00am

5. CHIEF EXECUTIVE OFFICER'S UPDATE / EMERGING ISSUES

Sheena Frost, Chief Executive Officer, provided the Committee with an update on current and emerging issues, including:

- The restructure and related recruitment is going well. There are two Manager positions outstanding at this time.
- VAGO Report in Fraud Controls over Local Government Grants update. The Policy is in place, was adopted at the last Council meeting.
- New Governance Rules have been adopted, hybrid meetings to continue. Complete overhaul of the Rules using Maddocks template.
- Notices of Motion have replaced the General Business Items for future Council meetings.
- There is a lot of Policies underway, streamlining to bring together. Will implement an integrated planning approach to identify areas that are missing.
- Audit and Risk Charter update to come in next quarter.

6. PULSE CHECK

The members were asked for feedback on the meeting and the comments indicated the meeting was very well managed, they were all happy, and the meeting papers were not too voluminous for this meeting.

- Sheena Frost and Megan Kruger asked the Committee if they would be happy to have the Financials at a separate meeting.
- The Chairperson advised that with the maturity of the finance operation at Hume, the annual financial statement requires little input from the Committee so it is not necessary to have a separate meeting, the reporting is a straightforward process. The Committee members agreed, and are happy for one meeting.

7. CLOSURE OF MEETING

The meeting closed at 11:10am.