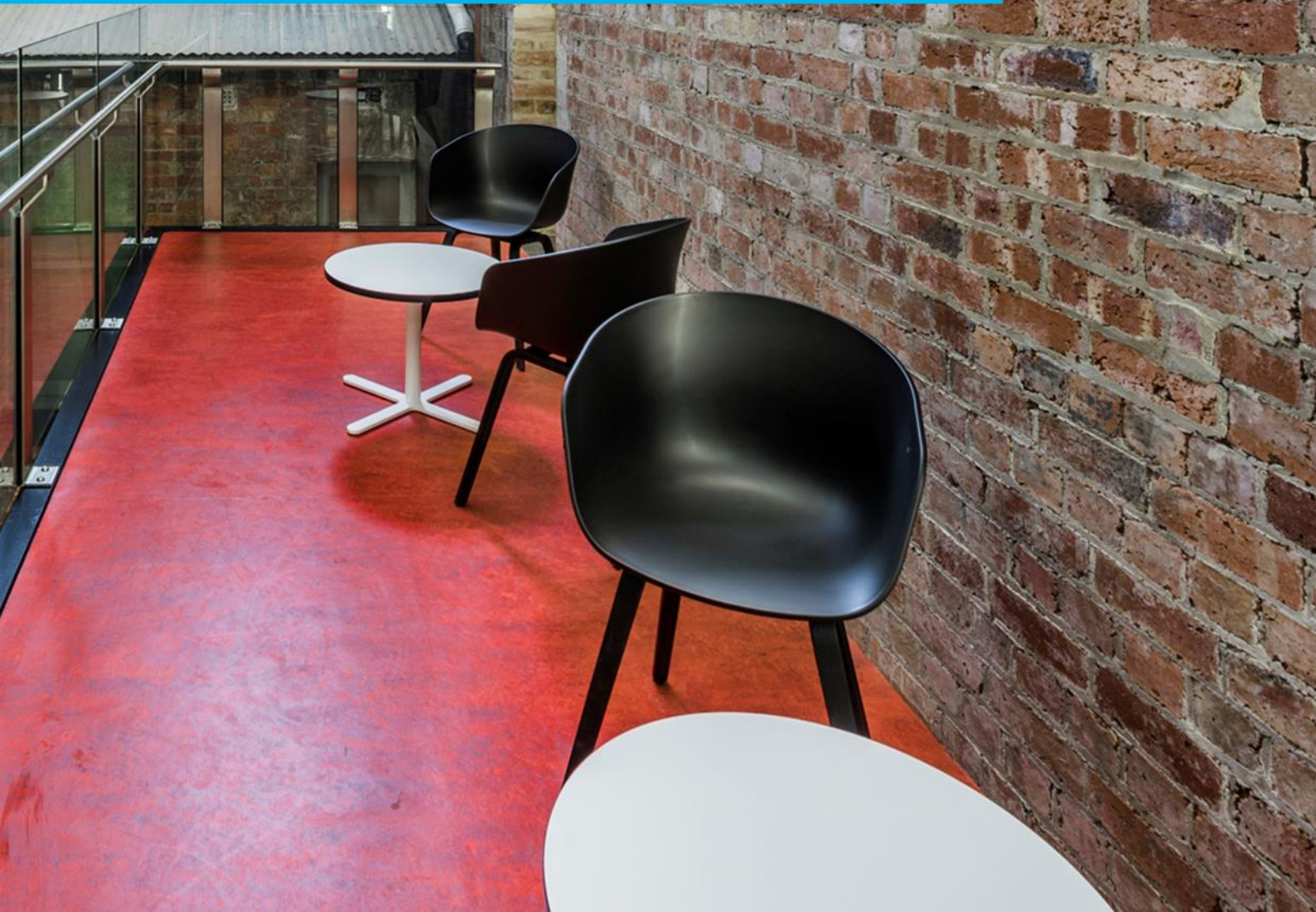




Audit and Risk Committee Annual Report 2019/2020

December 2020



A note on terminology

On 18 August 2020, Council responded to the commencement of the Local Government Act 2020 and dissolved the Audit Committee (previously constituted under the Local Government Act 1989) and constituted an Audit and Risk Committee in its place. The new committee had the same membership as before and a broader, but similar, Charter.

For the purposes of this Annual Report, the term “Committee” will be used, to refer to the activities both of the Audit Committee (to 18 August 2020) and the Audit and Risk Committee (from 18 August 2020).

Message from the Chair

The Committee Terms of Reference provides that the Committee report annually to Council, describing the Committee’s responsibilities and how they were discharged during the period, and any other information considered pertinent or which is required by regulation.

I am pleased to present this 2019/2020 Annual Report for Council’s consideration.

The key purposes of this report are to:

- achieve greater awareness of the purpose, role and objectives of the Committee and the work undertaken;
- act as a communication link between the Internal and External Auditors and Council;
- outline the outcomes achieved by the Committee; and
- provide Council with information on the future objectives of the Committee.

Committee members during the audit year (October to September) were Misha Coleman (former Mayor) and James Searle (former Councillor). The independent members were myself, David Ashmore and Vincent Philpot.

An unpredictable environment

In my report to Council 2019, I described that year as “one of significant change for the Audit Committee” – something that given the year we have just had, seems like a significant understatement.

This year began with the arrival of a new committee member upon the election of

Misha Coleman to the office of Mayor, followed shortly afterward by the arrival of a new internal auditor in HLB Mann Judd.

In early 2020, the Local Government Act 2020 passed the Victorian Parliament, triggering a review of the Audit Committee that ultimately led to its dissolution and the establishment of an Audit and Risk Committee in its place. This new Committee is charged with a new Charter, a reinvigorated workplan and an entirely new set of legislative responsibilities – the implications of which are only just becoming clear.

In October, Council elections resulted in the election of a new Councillor group, and two new Councillors joined the Committee. At the time of writing this report, these new Councillors (Cr Gabrielle de Vietri, Mayor and Cr Herschel Landes) have not yet had the opportunity of participating in a meeting, and I am looking forward to their contribution.

A State of Emergency

Of course, the impact of the COVID-19 pandemic cannot be ignored – it has been something which left no part of the Committee’s operations untouched.

On a very practical level, the Committee moved its meetings online, with the May, August and September meetings conducted in a virtual environment. The internal and external audits were also conducted virtually – something that had never been done before.

Business, but not as usual

Against this backdrop, the Committee's work continued, with a program of internal and external audits, a continued focus on Council's risk exposure on a range of fronts and ongoing monitoring of the implementation of previous audits and management commitments.

There have been significant improvement in these processes, but our work is not yet complete and 2021 promises to consolidate these improvements as well as broaden the scope of the Committee's role in light of the legislative change.

Thank you

As the Chair of the committee, I extend my thanks to the Councillors that left the Council at the 2020 election (Misha Coleman and James Searle) and my welcome to the newly elected Councillors (Cr Gabrielle de Vietri and Cr Herschel Landes). I also extend my appreciation to my colleagues, David Ashmore and Vincent Philpot who, as independent committee members remain a consistent and valuable presence in our Committee.

I also extend a thank you on behalf of the Committee to Council's Chief Executive Officer, Vijaya Vaidyanath; the Director Corporate Development, Diarmuid McAlary; the Group Manager People and Culture, Gracie Karabinis; the Chief Financial Officer, Mark Montague and the Manager Risk and Safety, Gavin Dyche – all of whom were regular contributors this year. The Committee also thanks Rhys Thomas, Senior Governance Advisor and Grace Wong, Executive Assistant, who have both risen to the challenge of virtual meetings to ensure the Committee has been able to continue to function.

To Councils' auditors, Mark Peters and the team at HLB Mann Judd (Council's internal auditor) and Kathy Teasdale and staff at RSD Audit (VAGO's appointed agent for the external audit) I say thank you.

I commend this Annual Report to Council.

Helen Lanyon

Independent Member and Chair

Yarra City Council Audit and Risk Committee

The Committee

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

The role of the Committee is to provide 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 authorises the Committee, within the scope of its role and responsibilities to:

- Obtain any information it needs from any employee and/or external party (subject to their legal obligation to protect information);
- Discuss any matters with the external or internal auditor, or other external parties (subject to confidentiality considerations);
- Request the attendance of any Council Officer (including the Chief Executive Officer), Councillors, and/or the internal and external auditors, at Committee meetings;
- 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.

Meeting and Membership

The Committee comprises five members, three of which are independent members and two Councillors. In addition, all Councillors are invited to attend any meeting of the Committee in an ex-officio capacity.

During 2019/2020, the Committee members were:

Helen Lanyon, Chair

Ms 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 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. David 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.

Vince Philpot

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, Vince brings his subject matter expertise in enterprise risk management, internal control frameworks and internal audit to his committee work. Vince also has wide experience on a range of advisory committees in Local Government and Public Service entities.

Cr Misha Coleman

Cr Coleman was elected to the Yarra City Council in October 2012 as a representative of Melba Ward, then re-elected in 2016 in Nicholls ward. After two terms as Deputy Mayor, Cr Coleman was elected Mayor in November 2019 and was appointed to the Committee for the first time.

Cr James Searle

Cr Searle was elected to Yarra City Council in October 2016 and is a representative of the Melba ward. Cr Searle was appointed to the Audit Committee in November 2018 and reappointed in November 2019.

Committee Attendance 2019/2020

The Committee met five times during 2019/2020.

Member	Meetings attended
Helen Lanyon (Chair)	5 of 5
David Ashmore	5 of 5
Vincent Philpot	5 of 5
Cr Misha Coleman (Mayor)	4 of 5
Cr James Searle	5 of 5

Committee Outcomes 2019/2020

The Committee would like to highlight the following outcomes to Council.

Internal Audit

Council had two internal auditors during the 2019/2020 audit year; Pitcher Partners Consulting Pty Ltd (to December 2019) and HLB Mann Judd (from January 2020).

Each year, the internal auditors develop an Internal Audit Plan which is presented each quarter to the Committee for monitoring. In 2019/2020 the transition to a new internal auditor resulted in a smaller than usual program of internal audits, with the following audit being considered by the Committee:

- Contract Management – Pitcher Partners
- Review of Organisational Compliance – HLB Mann Judd
- Review of Essential Services – HLB Mann Judd

These internal audit reports contained recommendations in regard to process and/or control improvements. Management responses and comments were provided in respect of these recommendations, together with an agreed action plan. The Committee periodically reviews the implementation of these recommendations to ensure that suggested audit initiatives are enacted thus continually improving Council's procedural and control environments.

The key outcomes of these reviews were:

Contract Management

This report was considered in December 2019.

Pitcher Partners conducted an internal audit to assess the organisation's level of adherence with key controls and procedures outlined in Council's 'Operational Contract Management Guidelines' for the mechanical street sweeping contract with Spotless.

Following the audit, management provided a response to the recommendations made and has undertaken to take a series of specific actions. The audit (together with a management response) was finalised in December 2019.

Pitcher Partners assessed that overall Yarra are largely compliant with its policies and procedures relating to contract management.

Two low priority and low effort process improvement opportunities were identified throughout the audit process.

Management accepted all recommendations and developed an action plan to implement them.

Review of Organisational Compliance

This report was considered in August 2020.

In August 2020, HLB Mann Judd finalised a review of Council's practices with respect to Organisational Compliance.

The objective of the internal audit was to evaluate internal controls and processes in place to maintain council's compliance with relevant acts/regulations/legislations and identify any potential risks and/or opportunities to improve related practices.

The review identified that the Council has adequate processes in place to identify and manage its responsibilities in relation to organisational compliance and identified a number of minor opportunities to improve the processes and associated controls in place.

The audit resulted in five recommendations, with one assessed as medium risk and four as low risk.

Management accepted all recommendations and developed an action plan to implement them.

Review of Essential Services

This report was considered in August 2020.

In July 2020, HLB Mann Judd conducted a review of Council's practices with respect to Essential Safety Measures (ESM) Compliance.

The objective of the internal audit was to assess the adequacy and effectiveness of internal controls embedded in ESM Compliance processes at the Council.

The audit found a number of positive business practices that were noted regarding Council's ESM management practices.

The audit resulted in six recommendations with three assessed as high risk and three as medium risk.

Management accepted all recommendations and developed an action plan to implement them.

External Audit

Extensive liaison was held with the RSD Audit (the Victorian Auditor General's appointed agent) in respect of the 2019/2020 Financial Statements and Performance Statement, culminating in the Committee endorsing the draft statements to Council.

The Committee has further monitored actions noted in the 2019/2020 Audit Management letter.

COVID-19 Response

Yarra City Council – like many others across Australia – started to experience the significant social and economic effects of the coronavirus (COVID-19) pandemic from March 2020, when the Victorian Government implemented restrictions to curb the spread of the virus.

Council immediately refocused its energy and resources to respond to the impact of COVID-19, and met on 2 April 2020 at Fitzroy Town Hall amid strict social distancing protocols to adopt a \$7.46 million package of immediate and short-term support for Yarra's community members and economy.

This package included more than \$250,000 in emergency funding to support residents and vulnerable people, over \$470,000 in grants for Yarra's business community, and a range of resources for people experiencing loneliness and isolation.

While a specific governance body was established to oversee the delivery of the package, Helen Lanyon, in her capacity as Chair of the Committee, was invited by the Chief Executive Officer to provide an independent perspective on the design and rollout of the program.

In addition to the regular updates by the Chief Executive Officer, the Committee received a full briefing on the ongoing rollout of this package and the impacts of the pandemic on Council's operations at its meeting August 2020.

General

The Committee receives a verbal briefing from the Chief Executive Officer at each meeting, and has an opportunity to raise any issues directly with management. In addition to this general forum, the Committee received specific presentations from management in relation to the following issues:

- Risk Management Policy and Framework
- State of the kerbside recycling industry
- Local Government Act 2020

- Council owned tree maintenance
- Computer Network boundary testing
- Purchase order compliance
- Review of the Committee Charter

The Committee received presentations and status reports to assist in the discharge of the following responsibilities of its Charter:

- status reports and reviews of Council's risk register
- updates on major legal or insurance matters
- notifications of any findings of fraud or corruption
- ensure that Council's auditors (both internal and external) are free to conduct enquiries and investigations without hindrance

The Committee received reports summarising the outcomes and management responses to the following documents released by the Victorian Auditor General's Office and the other industry bodies:

- Mildura Cemetery Trust (Victorian Ombudsman)
- Ninety Mile Beach (Victorian Ombudsman)
- Council Libraries (VAGO)
- Operation Sandon (IBAC)

The Committee takes a keen interest in public reports released by these Statutory Bodies and seeks a management view on the implications of findings and recommendations relevant to the City of Yarra. A specific management response is provided for each major report recommendation.

In summary, the 2019/2020 year has been a productive one for the Committee with the outcomes adding value to the overall management of Council's financial, risk and governance responsibilities.

Outlook for 2020/2021

In 2020/2021, the Committee will welcome two new members, with Council recently appointing Cr Gabrielle de Vietri (Mayor) and Cr Herschel Landes to join the committee.

The first order of business will be to establish a workplan for 2021 which reflects the broader scope of the Committee under the Local Government Act 2020 and its newly adopted Charter. This work is based on a model provided by Local Government Victoria and, at the time of writing this report, proposes that the committee introduce an additional meeting to the program.

A key focus of the Committee will continue to be working with management to drive continuous improvement in control identification and risk reduction across the organisation. Through a program of audits, policy reviews and evaluations of internal processes, the committee will support the organisation in its ongoing strengthening of the control framework.

In addition to a formal external audit program, the program of internal audits is expected to be a heavy one, with HLB Mann Judd delivering a number of reports on their work in the latter part of 2020 after the brief pause associated with the transition to a new auditor.

The Committee will also continue to seek briefings and advice on a range of matters from management. The Committee will stay up to date with any applicable matters raised by the Victorian Auditor General, Victorian Ombudsman, the Local Government Investigations and Compliance Inspectorate, the Independent Broad-based Anti-Corruption Commission or the Office of the Victorian Inspectorate.