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Audit Committee Meeting No. 117 held on 6 December 2017 at 12.00 pm in Civic Centre

Present: A. Hall, External Member
Cr. Hardy, Councillor Member

Chairperson: R. Tommasini, External Member (Acting Chairperson)

Attendance: L. Tripodi, Internal Auditor
M. McCullagh, Internal Auditor
C. Denyer, Legal & Governance Manager
D. Caligari, Manager Capital Projects
S. Rumoro, Finance Manager
M. Noor, Management Accounting Co-ordinator
C. Santoro, Senior Administration Officer, Legal & Governance

The Acting Chairperson officially opened the meeting at 12.06 pm.

1. Apologies

A. Roberts, External Member
K. Tori, Chief Executive Officer

The Committee members raised concern that the Audit Committee Terms of Reference, which states that membership consists of three independent external members and two Councillors, is not being complied with, as currently only one Councillor has been appointed to the Committee.

The Audit Committee requested that this matter be raised with Councillors for discussion and a resolution..

Action: Cr Hardy

2. Declaration of interests and/or conflict of interests

No pecuniary interest, other interest or conflict of interest were declared.

3. Confirmation of minutes for 24 October 2017 meeting

Motion

A. Hall/Cr Hardy

That the minutes of the Audit Committee meeting dated 24 October 2017 be confirmed as a true and correct record.

Carried

4. Report Back From Council on Consideration of Previous Meeting Minutes

Cr. Hardy informed the Committee that Councillors considered and unanimously adopted the recommendations of the previous minutes of the Committee.



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5. Business Arising From Previous Minutes

R. Tommasini informed the Committee that he has a matter to discuss arising from the Confidential minutes, and therefore would raise this matter in the confidential section of the meeting.

A. Hall enquired whether the briefing to Council on Capital Projects had occurred, as mentioned at the last Committee meeting.

D. Caligari informed the Committee that the same report tabled at the last Audit Committee meeting, was presented to Council including a presentation on current projects.

6. Internal Audit Program Progress Report

L. Tripodi informed the Committee that two completed reports, the Business Continuity Planning/ IT Disaster Recovery Planning and the Events Management are tabled for discussion at this meeting, and two audits are currently in progress, the Home and Community Care and Project Management reviews.

R. Tommasini enquired whether the Fraud and Corruption review is still scheduled for June 2018.

L. Tripodi informed the Committee that the Annual Strategic Internal Audit Plan is on target, and the Fraud and Corruption review is scheduled for June 2018.

As there was no further discussion, the Committee noted the Internal Audit Program Progress Report.

7. Internal Audit Review on 'Events Management'

L. Tripodi informed the Committee that overall the audit found current control and processes associated with the management of events were adequate. A major external event, being Summersault, and two smaller events were reviewed and revealed the following:

- The events policy/procedures did not have sufficient guidance on some key elements of events management processes;
- No evidence of Public Liability Insurance was obtained from Council vendors and exhibitors for a smaller event;
- A risk assessment had not been completed for a sampled smaller event; and
- Risks relating to dealing with minors were not identified and documented in the risk assessment for the major event.

A. Hall enquired whether the target dates to address the recommendations are prior to the next major event, and if not, should be amended accordingly. In relation to the risk relating to dealing with minors, Alan enquired whether this risk should be rated higher, and whether Council make it mandatory for all Councillors to obtain a Working With Children Check as well as Council staff working at events.

C. Denyer informed the Committee that the existing policy is currently being reviewed in relation to staff and Working With Children Checks, but this policy cannot be imposed onto Councillors.

Cr Hardy suggested a recommendation from the Audit Committee to Council suggesting that Councillors consider obtaining a Working With Children Check and if agreed, be included in Councillors Code of Conduct.



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Recommendation 1:

That Councillors consider obtaining Working With Children Checks and if agreed, include in the Councillors Code of Conduct and that otherwise the recommendations and management comments in the Events Management report be adopted by Council.

8. Internal Audit Review on 'Business Continuity Planning (BCP)/IT Disaster Recovery Planning (DRP)'

L. Tripodi informed the Committee that the audit revealed that Council has developed Business Continuity Plans (BCPs) that cover critical services and functions, however it was revealed that the following areas for improvement are required:

- Only crisis management elements of the BCP have been tested, with no testing of planned workarounds to maintain the continuity of services to the community;
- The BCPs are series of multiple stand-alone documents, with no overarching business continuity policy and framework;
- There is no IT disaster recovery plan for the new IT disaster recovery solution with Telstra
- The new IT disaster recovery plan had not been tested
- There is no contract between Council and Telstra for IT disaster recovery infrastructure and recovery services
- There is a lack of a backup policy to ensure backup requirements are being met
- Applications have not been ranked by business priority for IT disaster recovery purposes.

A.Hall enquired why IT disaster recovery services was not included in the original contract with Telstra and suggested this issue be reviewed and reported back to the Audit Committee on the outcome of the review.

Action: M. Domma - IS Manager

R. Tommasini suggested that recommendation 1 be divided into 2 actions with 2 dates, one for the establishment of schedules for cyclical testing of BCPs, and one for the testing of the plans in accordance with the schedule.

Action: P. Doyle – Emergency Management Coordinator

R. Tommasini also suggested that the date in relation to recommendation 6 be reviewed to ensure it is achievable and the date for recommendation 8 be brought forward, on the development of an overarching BCP policy and framework.

Action: P. Doyle – Emergency Management Coordinator

Recommendation 2:

That the recommendations and management comments in the Business Continuity Planning (BCP)/IT Disaster Recovery Planning (DRP) report be adopted by Council.



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9. Audit Committee Annual Work Plan

S. Rumoro enquired whether the Long Term Financial Strategy within the plan could be moved from February to April, due to the progression of the draft budget.

A. Hall informed S. Rumoro that the Committee are only interested in the key parameters, such as rate capping etc. and are satisfied with a draft version of the Long Term Financial Plan in February.

No further questions or discussion was raised.

10. Monthly Finance Report 31 October 2017

S. Rumoro informed the Committee that scam emails requesting payment are still being received and monitored, but this issue is occurring regularly throughout all sectors.

In relation to the Monthly Finance report, S. Rumoro informed the Committee of a typo on the front cover, October spelt incorrectly, and the 'Balance to be Collected' table on page 11 should read \$76.34m not \$79.36m. Overall, the underlying surplus for the October year to date period was \$78.9m, compared with profiled budget result of \$82.4m, resulting in an unfavourable variance of \$3.5m. The timing of Atherstone land sales and also the timing of Grants Commission income were noted as major factors in the variance.

The following items were discussed:

- Balance Sheet Comments
- Current liabilities
- 8.3% of Capital Expenditure spent in 4 months
- Capital budget completion within financial year

The following endorsement was proposed by A. Hall in relation to Council's capital expenditure:

'That the approach on changes to budget and profiling in relation to capital expenditure be commended'.

A. Hall also requested that the cost of land sales for Atherstone be verified.

Recommendation 3:

That Council note the Finance Report for October 2017.

D. Caligari/M. Noor departed 12.45 pm

11. Internal Audit Recommendation Tracking Report

R. Tommasini informed the Committee that the layout and content of the report is now satisfactory, and commended Officers on the work done on the revised format. It was noted however that the column with the audit review name should also include the date of the report so that the Committee is aware of when recommendations are first made.

C. Santoro informed the Committee that she will need to liaise with the software providers to ensure the date can be included in the review name column without needing to manually key it in.

Action: C. Santoro



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As there were no further discussion, the Committee noted the Internal Audit Recommendation Tracking Report.

12. Overdue Internal Audit Recommendation Tracking Report

R. Tommasini suggested that the Overdue Internal Audit Recommendation Tracking Report is of limited value and suggested that it could be omitted in future, as the Internal Audit Recommendation Tracking Report is sufficient and provides all the information in the overdue report.

A. Hall informed the Committee that he peruses the overdue report, but has no objection to omitting the overdue report if all Committee members are agreeable.

As there were no objections, the Overdue Internal Audit Recommendation Tracking Report will no longer be required.

13. Report on Published Statements/Reports (if any)

– **VAGO Report on 'Results of 2016-17 Audits: Local Government' (published November 2017)**

S. Rumoro informed the Committee that there were no surprises in relation to the outcome of financial reports across the sector, especially around rate capping and asset revaluations. Melton is currently working with other departments to address asset revaluations and better strategic planning in relation to rate capping.

R. Tommasini enquired on the impact on Melton in relation to the recommendation of introducing targets on each performance indicator.

S. Rumoro informed the Committee that Council will not know the impact until the targets have been set.

No further questions were raised in relation to VAGO's report on 'Results of 2016-17 Audits: Local Government'.

– **VAGO Report on 'ICT Disaster Recovery Planning' (published November 2017)**

A.Hall suggested that the Internal Auditors report and VAGO's report be compared and establish if any further gaps can be identified.

Action: IS Manager

No further questions were raised in relation to VAGO's report on 'ICT Disaster Recovery Planning'.

– **Victorian Ombudsman Report on 'Annual Report 2017 (where Melton City Council is mentioned)**

No questions were raised in relation to the Victorian Ombudsman Report on 'Annual Report 2017'.

14. Schedule of Audit Committee meetings for 2018 calendar year

C. Santoro informed the Committee that the proposed meetings scheduled for 2018 calendar year is similar to this year's meetings, and enquired whether any member had concerns over the meeting dates or time.



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As there were no objections raised in relation to scheduled dates and time, the Committee accepted and noted the schedule of Audit Committee meetings for 2018 calendar year.

Noted

15. General Business

C. Santoro sought approval to write to Adam Roberts on behalf of Council and the Committee and thank him for his years of service on the Audit Committee.

Recommendation 4:

That Council write and thank Adam Roberts for his years of service and also his contribution and professionalism throughout those years.

No further matters were raised under General Business.

L. Tripodi/M. McCullagh/S. Rumoro departed 1.17 pm

16. Other Matters as Determined by the Chief Executive Officer/Committee Chairperson (including any identified Fraud instances (if any))

Note – Matters discussed under this Agenda item are dealt with “in-camera” as they relate to contractual, legal and personnel matters.

Next Meeting

The next meeting is to be held on 28 February 2018 commencing at 12.00 pm in the Conference room.

Close of Business

The meeting closed at 1.30 pm.