

FLINDERS COUNCIL AUDIT PANEL MEETING CONFIRMED MINUTES

DATE: 4 April 2023
VENUE: Rose Garden Room, FAEC, Whitemark and via Zoom
COMMENCING: 2.00pm

1. MEETING OPENED 2.02pm

2. ATTENDANCE

MEMBERS		
Position/Organisation	Name	In-Attendance
Chairperson	John Watson	Yes
Member	Diana Droog	Yes
Member	Gerald Willis	Yes
GUESTS		
Tasmanian Audit Office	Jeff Tongs	Apology
Tasmanian Audit Office	Simone Lee	Yes
Tasmanian Audit Office	Dylan Xing	Yes
STAFF		
General Manager	Warren Groves	Yes
Contract Accountant	Marissa Walters	Yes
Acting Executive Officer (minute taker)	Rowena Gill	Yes
Council Elected Members	Mayor Rachel Summers Cr Ken Stockton	Yes Yes

BUSINESS

3. ACKNOWLEDGMENT OF COUNTRY

The Chair began by acknowledging the Traditional Owners of the land on which we meet today, the palawa people of the trawulwai Nation. He recognised their continuing connection to the land, waters and culture of this island, and paid respects to Elders past, present and emerging.

4. DECLARATION OF INTERESTS

4.1 Declarations of Interest

Name	Appointment Date	Rotation Date	Person and/or Organisations with Interest	Nature of Conflict of Interest	Perceived / Potential / Actual	Date of Declaration
John Watson	5 December 2016	October 2024	Municipal Association of Victoria (MAV) Audit and Risk Committee	Chair	Perceived	29 September 2022
	October 2012	October 2024	Victorian Local Government Grants Commission	Chair	Perceived	29 September 2022
Diana Droog	Annual Membership	Sept	Flinders Island Business Inc. (FIBI)	Treasurer (& member)	Potential	7 Feb 2018
	Annual Membership	July	Furneaux Historical Research Association Inc.	Member & Membership of Museum's IT Group	Potential	7 Feb 2018

	Annual Membership		Landcare		Potential	4 June 2018
			Emita Volunteer Fire Brigade	Member	Potential	16 Dec 2019
Gerald Willis	Annual Membership		Furneaux Historical Research Association Inc		Potential	26 Aug 2019
	Annual Membership		Furneaux Maritime History Association		Potential	26 Aug 2019
	Annual Membership		Sports & RSL Club		Potential	26 Aug 2019
	Annual Membership		Furneaux Islands Protection Network Inc		Potential	28 September 2021
Marissa Walters	Ongoing		Break O'Day Council	Consultant Accountant	Perceived	29 September 2022
	Ongoing		Glamorgan Spring Bay Council	Consultant Accountant	Perceived	29 September 2022

General Manager Warren Groves declared he is a member of the Furneaux Historical Research Association Incorporated. His interest was noted by the Panel.

4.2 General Manager's Declaration

The General Manager declared no knowledge of any impending legal actions, legislation breaches or any actual or suspected fraud occurrences within the organisation since last reported to the Panel.

At this point the Chair proposed that unless any member wished otherwise, the following agenda items be taken as read and the recommendation agreed without further discussion in the meeting:

- 5 – Minutes
- 6 – Actions Arising
- 6.2 – Risk Management Framework
- 6.3 – Future 2023 meetings
- 7 – Correspondence
- 8.3 – Audit Panel Work Plan
- 8.4 – Audit Panel Charter
- 8.5 – Credit Card Report
- 10.2 – Business continuity Plan.

Gerald Willis requested that items 6, 7 and 8.3 be discussed.

5. CONFIRMATION OF PREVIOUS MINUTES

The Panel noted that the minutes from the meetings held on 29 September 2022 and on 21 February 2023 were confirmed out-of-session via circular resolution.

6. ACTIONS ARISING FROM PREVIOUS MEETINGS OF THE PANEL

Meeting	Action	Progress
2019.01.29	General Manager to develop a statement of Council's risk appetite for Council adoption and add it to the Framework.	Work has commenced. See agenda item 9.5.
2021.12.06	Rowena to edit Audit Panel Charter send to Members prior to March 2022 meeting.	Complete – Charter finalised at 21.02.2023 meeting.
2022.03.02	Diana has provided feedback and the revised charter has been sent to members for review. Feedback to be sent to governance.	Complete – Charter finalised at 21.02.2023 meeting.
2023.02.21	Diana to look at edits required for Terms of Reference for discussion at March Meeting.	For discussion at April meeting.
	Governance to add Marissa Walters' Declarations of Interest to the above table.	Completed.
	Panel members to confirm the 29 September 2022 minutes and these minutes out-of-session.	Completed.
	Governance to add the process for the out-of-session confirmation of meeting minutes to the Audit Panel Charter.	Completed.
	Warren to seek legal advice on the use of the second paragraph used in the certification of Council Meeting Agendas. Gerald and Warren to discuss this issue out-of-session and report back to the next meeting.	Advice from Page Seagar. <i>"There is nothing wrong with a council officer presenting an assessment and recommendation report for a DA which was prepared by a third party; just ensure that the report or agenda item states that the report was prepared by a suitably qualified and experienced third party, and its contents are endorsed by the council officer."</i>
	Gerald and Warren to discuss out-of-session the use of the name of the planner for Development Applications.	Complete – Officer presenting Jacci Smith to use from March 2023 onwards.
	Ensure that adequate advertising of Council's AGM is included in Council's Communication Policy.	Completed – Council follows the Good Practise Guideline from the Local Government Division regarding advertising for AGM. "Advertising Apart from the statutory requirement to publish a notice of the date, time and place of the AGM on at least two occasions in a daily newspaper, it is important to encourage public involvement by advertising as widely as possible, for example by providing the details on the

Meeting	Action	Progress
		council's website and in newsletters provided to ratepayers."
	Warren to investigate whether the addition of a sum of income and receipts, expenditure and costs added to budget statements is warranted and cost-effective and report back to the Panel.	Pending investigation.
	Governance to prepare a prioritized list of policies for review for the next Audit Panel meeting.	Completed.
	Governance to add Policy Review Update into the Work Plan as a standing agenda item for all meetings.	Completed.
	Governance to add Audit Panel Work Plan Review into the Work Plan as a standing agenda item for all meetings.	Completed.
	Warren to bring the Risk Management Framework to the next Audit Panel meeting or the following meeting if staff capacity and recruitment proves to be problematic.	Staff shortages result in being 80% complete as of 4 April 2023.
	Moved: Gerald Willis That the Panel recommend the revised Charter, with changes, to Council for adoption.	Completed – Charter was adopted 22 March 2023, Members were sent a copy 24/3/2023.
	Governance to add Credit Card Audit into the Work Plan as a standing agenda item for all meetings.	Completed.
	John to provide Panel members with an example of a credit card report for information.	To be provided.
	Diana to provide a report to each meeting with the name of the credit card holder, their position, and level of the usage of the card.	Completed Report provided for April meeting.
	Governance to add Cyber Security Report into the Work Plan as a standing agenda item for all meetings.	Completed.
	Council's Community Services Coordinator, Sammi Gowthorp to work with council's IT service provider to provide a monthly report on what they're doing in the cyber security space, training they are undertaking, and the number of attempted breaches on our systems.	Completed, Report provided for April meeting, report format a work in progress.
	Governance to add Outstanding Audit Recommendations as a standing agenda item in the Work Plan for all meetings.	Completed – Spreadsheet provided for April meeting.
	Governance to distribute the revised document to the Business Continuity Team.	BCP has been distributed, edits required for new staff.
	Marissa to discuss her role on the Business Continuity Team with Warren.	Completed.
	Warren will finalise meeting dates for the remainder of 2023 with Panel members out-of-session.	Completed.

DECISION

The status of Actions arising from previous meetings was received and noted.

6.1 Annual Audit

Auditors presented the Financial Audit Strategy 2023 to the Panel.

Attachment: 6.1.1 DRAFT Flinders Council – Financial Audit Strategy – Year ending 30 June 2023

Consistent with prior years, no key developments affecting Council that may impact on the audit or strategy.

Materiality figures detailed in Section 3

Relevant base	Base amount	Sliding scale percentage	Planning materiality
Total assets as at 28 February 2023	\$82.42 million	1.33%	\$1,096,000

Relevant base	Planning materiality	Expected error rate	Performance materiality
Total assets as at 28 February 2023	\$1,096,000	15%	\$931,000

Amount of error	Communication requirements
Greater than \$22,000	Individually communicated to those charged with governance.
Less than \$22,000	Considered trivial and will not be communicated to those charged with governance.

Section 4 - Risks of material misstatement

Key Risk Areas – same as previous years.

- Management override of controls
- Risks arising from the use of Information Technology (NEW)
- Risks at the assertion level
- Valuation of property and infrastructure assets
- Existence and accuracy of capital expenditure
- Accuracy and valuation of depreciation expense

Revenue not considered high risk so rebutted.

Section 5 - Audit team, no change to team from last year.

Section 6 - Timetable outlined, Independent Auditor's Report issued 10 Oct 2023

New fees moving forward, from 2022-23 onwards, travel costs will no longer be billed, this is due to a change in office Policy and the Auditor-General decision.

Normal methods for asset classes, Council adopt revaluation cycle for asset classes. Every 3-5 years full revaluation is undertaken. In between that period Council are seeing the need to index annually especially since COVID. Values need to be most reflective of fair value.

TAO test indexation of asset class to ensure it is appropriate, e.g wage based index or cost based index, must be appropriate for client. TAO to check if calculations applied are correct.

Indexes in recent times have been high, Councils may do formal revaluation and some of those indexes will come back down.

Question D Droog – Auditors, are they interested in cash flow forecasting in Councils?

TAO Response – We do not look at cashflows on individual basis, they look at it for the next 12 mths and they are looking at Councils as a going concern and trying to rule out going concern issues.

They do review overall Local Government in terms of restricted and unrestricted cash.

Question Chair J Watson – Past open audit findings not mentioned in strategy?

TAO Response - memo of audit findings are separate to Audit Strategy. Further discussion to be had regarding outstanding matters from prior years.

DECISION

The Audit Panel noted the Draft Financial Audit Strategy 2023.

6.2 Risk Management Framework Update

Noted the draft version of the revised, interoperable, Council-wide Risk Management Framework will be presented at the 6 June Audit Panel Meeting.

6.3 Future 2023 Meetings

Meeting dates for the remainder of 2023 are:

- 6 June at 1pm
- 5 October at 1pm
- 7 December at 1pm

7. CORRESPONDENCE

7.1 Correspondence IN

2023.03.24 Flinders Council - Auditor-General's Report on the Financial Statements of State Entities 2021-22 - Volume 2

Attachments: 7.1.1 Auditor-General's Report 2021-22 Vol 2 - Table 5 High Risk Findings (Flinders Council) – Draft

7.1.2 Pages from Auditor-General Report 2021-22 Vol 2 – Draft

High risk findings

High risk findings are summarised in Table 5 below.

Table 5: 31 December 2021 and 30 June 2022 high risk audit findings

Entity High risk finding

Flinders Council Inadequate review by management of asset valuation methodologies and calculations resulted in road assets being materially understated.

Provided to the General Manager only for fact checking only at this point. General Manager applied fact checking and is satisfied with the finding,

Auditors will be looking at this finding in context in current audit, with information, timeframes and proposed action reviewed. Once reviewed in this audit then the outcome can be provided to the Audit Panel to discuss.

DECISION

The Audit Panel noted the correspondence IN.

7.2 Correspondence OUT

Nil

8. STANDING AGENDA ITEMS

8.1 Financial Report

Any variations to the budget and movement of money will be presented for the Panel's consideration.

Marissa explained it was too early to present the Quarterly Report as the quarter only just ended 31st March 2023. The Report can be emailed out of session as it will appear in the Council Meeting Agenda 26/4/23, distributed 17th April.

DECISION

The Audit panel noted there was no variation to budget report presented by the Consultant Accountant due to timing of when it is due for the council.

8.2 Policy Review

The following policies have been reviewed since the last Panel meeting in February 2023:

- S-CS9 Wybalenna (Rescinded 22/03/2023)
- S-G12 Information Management Policy (Adopted 22/03/2023)
- S-G13-P Related Party Disclosure Policy (Adopted 22/03/2023)
- S-HR14 Fraud Prevention and Control Policy (22/03/2023)

Councillors would like a Fraud Control Plan.

Scheduled for the next available Council Workshop for discussion:

- Communications Policy
- Risk Management Policy
- Visits – Cape Barren Island Policy
- Information Management Procedure

The Mayor is reformatting, making suggestions for combining policies, then forwarding to Corporate Services Co-ordinator to finalise, before presenting to Council.

O-HR1	Workplace Behaviour Policy
O-HR3	Disciplinary Policy
O-HR3-P	Disciplinary Procedure
O-HR3	Disciplinary Policy
O-HR3-P	Disciplinary Procedure
O-HR5	Performance Management Policy
O-HR5-P	Performance Management Procedure
O-HR8	Issue Resolution Policy
O-HR8-P	Issue Resolution Procedure
O-HR11	Employee Code of Conduct Policy
S-HR15	Personal Information Protection Policy

Attachment: 8.2.1 Policy & Procedure Manual

Governance Executive Officer to be employed after Easter and will hope to catch up on reviewing policies. Generally, review only.

Gerald Willis noted that many policies had arisen years ago and asked the General Manager if they all necessary.

General Manager Response – The process for policies begins at Officer level, then forwarded to Council level, Council agenda, suggestions are made during the process and changes can be made during 28day submission period. Policies are adopted or rescinded as deemed necessary by Council. There was some discussion about the value of regularly reviewing the need for policies and potential for some to be consolidated.

DECISION

The Policy Review report was received and noted.

8.3 Audit Panel Work Plan

The Audit Panel Work Plan is presented for review.

Attachment: 8.3.1 Audit Panel Work Plan

Suggestions:

- The Audit Panel Work plan be edited where Members feel they are not in a position to complete the task, as some things are outside Audit Panel members' control. Example "Determine whether the annual financial statements of the Council accurately represent the state of affairs of the Council." (G Willis questions how can the Audit Panel do this?)
- Separate Work Plan into two areas, based on Local Government recommendations and one for Audit Panel members.

Comments Chair J Watson – the Work Plan is subject to change and needs to reflect changing circumstances and issues as they arise. Let's refine and develop the Plan over time and avoid over burdening it with items. Use business arising to deal with other matters.

The discussion moved to the extent of advice the Audit panel is able to give to the council on the draft audited annual accounts. The Chair explained that Audit Panel are not the auditors and cannot verify everything in the accounts. It is normal for an Audit Panel to raise any questions at a higher level and sometimes suggest alternative wording for notes to the accounts.

Ultimately the Audit Panel needs to form a view as to the general accuracy of the accounts and provide a recommendation to Council normally to the effect that the annual financial statements should be approved in principle. Audit Panel are not expected to say it is 100% correct. They need to be reasonably sure that all money was accounted for in a reasonable fashion and make sure controls within the entity are sufficient to provide a report.

The TAO representatives confirmed that the role was generally as described by the Chair.

DECISION

The Audit Panel adopted the Audit Panel Work Plan and acknowledged the need for it to be subject to change to reflect changing circumstances and issues as they arise.

8.4 Audit Panel Charter

The revised Audit Panel Charter, with changes, was adopted by Council at the 22 March 2023 Council Meeting.

DECISION

Noted the revised Audit Panel Charter, with changes, was adopted by Council at the 22 March 2023 Council Meeting.

8.5 Credit Card Audit

The following Credit Card Report is presented for review at the meeting.

Attachment: 8.5.1 Credit Card Report

DECISION

The Credit Card report was received and noted.

8.6 Cyber Security

A cyber security report is presented for review and feedback. Sammi requesting clarity around cyber security reporting for IT from Audit Panel.

*Attachment: 8.6.1 DRAFT Cyber Security Report
8.6.2 CHIPS Report
8.6.3 IT Cyber Report for Audit Panel*

CHIPS Report is information from the Australian Government on Councils Domain Name – website, hosted by Walker Designs. It does not provide information about breaches to emails.

Councils IT Officer provided the *IT Cyber Report for Audit Panel*, the General Manager provided brief introduction. Security attempted breaches are occurring every second and are controlled by means mentioned in Report. Council also has a firewall and multi factor authentication, user

passwords, and network domain log ins. Techquity (external provider) are protecting Council, and further training is to be provided.

The Chair asked the General Manager whether the Council holds Cyber insurance and requested that if it does, what failures by the Council, such as not applying patches in a timely manner could risk voiding the insurance. Following discussion it became apparent that the Council does not carry cyber insurance but relies on its external IT provider, Techquity.

The Chair suggested that the Council should seek an annual written statement from Techquity regarding protecting Council and what their liability is if they fail and a breach is successful. The Chair also suggested looking in the Essential 8 regarding levels of protection in the cyber space.

<https://www.cyber.gov.au/acsc/view-all-content/essential-eight>

Is penetration testing done?

Is there a process for removing rights to the system when staff ? Answer yes.

This a space to be conscious of and remain vigilant, more requirements are likely to be imposed by other levels of government.

General Manager to investigate points raised above. Marissa suggested being mindful – IT providers tend to provide the same service unless you ask for better protection or service.

No internal function at Flinders Council – elsewhere IT is included in internal audits.

D Droog – Impressed by CHIPS report and thinks it would be advantageous to have a one page summary of this report on a quarterly basis. As 54 pages is too long to read.

Request Sammi to liaise with Walker Designs, reading the level of security they are providing.

Chair J Watson – Council holds personal info, rates etc. do they review the information that they are holding.

Response – This is governed by Records Keeping guidelines from Tasmanian Archive and Heritage Office (TAHO) for Councils. TAHO is responsible for reviewing and authorising the disposal authorities for Tasmanian Government agencies.

DECISION

The cyber security report was received and noted and that the matters raised in the discussion would be followed up and reported back to the Panel.

8.7 Status of Outstanding Audit Recommendations

Council has been asked to provide the following information for the upcoming audit.

- Delegations register and policy, including authorised expenditure limits for staff for 2022-23
- Provide a copy of the current Register of Interests - Staff
Provide a copy of the current Register of Pecuniary Interest Councillors
- Audit Panel - Annual Work Plan for 2022-23
- Audit Panel Charter (a reviewed version mentioned in the 29/09/2022 Audit Panel meeting)
- List of current policies and review dates

TAO Audit findings yet to be resolved Report is presented for review.

Attachment: 8.7.1 TAO Audit Findings yet to be Resolved Report

Noted some progress on some.

Hopefully some items are dealt with and no more are added as a result of the audit.

DECISION

The report on the status of outstanding audit recommendations was received and noted.

Auditors left the meeting at 3.03pm.

9 ADDITIONAL AGENDA ITEMS

9.3 Financial Management Plan

Council's Long-Term Financial Management Plan (LTMFP) is due for review this year. Before this document can be adopted, the Long-Term Financial Management Strategy must first be reviewed. Council's Consultant Accountant presents the draft document for the Panel's consideration.

Attachment: 9.1.1 Draft Long-Term Financial Management Strategy

The Long-Term Financial and Asset Management Plan, Strategy and Policy 2021-2031 was one large document which included four documents in one, produced as a result of the Performance Improvement Direction by the Director of Local Government. However, it must be reviewed every 4 years and it is good practise to review every year.

This year, Council plan to update the Long-Term Financial Management Plan and Strategy and them the Long-Term Asset Management Plan, Strategy and Policy in the coming 12 months. The Long-Term Financial Management Plan and Strategy will be presented to Councillors for consideration to the 12th of April Council Workshop.

Marissa asked if the Audit Panel had any recommendations?

D Droog - Benchmark targets – consider putting in last years results?

M Walters response - the actual LTMFP will have graphs now against benchmarks.

D Droog – Cashflow forecast comments no mention of this

M Walters response – there will be a forecast around cash position and there will be graphs and commentary around this. There is a minimum position around what Council need to have. 3-month benchmark minimum on top of unrestricted cash to run operations. Flinders Council well above minimum required at the moment.

Focus on keys areas

- Bottom line, cover loan borrowings
- Renewing the assets

Looking risking long term in terms of cash balance. Quarterly Financial Reports to Council for them to keep an eye on things.

DECISION

The Long-Term Financial Management Strategy report was received and noted.

Mayor Rachel Summers left the meeting 3.06pm.

10 OTHER BUSINESS

10.1 Audit Panel Member Expressions of Interest

An expressions of interest advert was placed in the 31 March 2023 Island News. This is calling for applicants to fill two upcoming vacancies, the application end date is the 28 April 2023. Governance staff are to advertise in the Examiner and other accounting/auditing professional bodies around Tasmania.

Diana Droog noted her intention to reapply.

DECISION

The panel noted the process to recruit two external panel members has commenced.

10.2 Business Continuity Plan

Council is conducting testing of the Business Continuity Plan at the 13 April 2023 Management meeting, Sergeant Chris Parr has been engaged to facilitate testing. The Management team apart from Warren are unaware of this test occurring.

DECISION

The status of the Business Continuity Plan was noted.

10.3 Tasmania Audit Office Client Information Session for Senior Management and Members of Audit Committees

Attachment: 10.3.1 Invitation for 4th of May 2023 RAVC (Collins Room)

TAO not offering zoom, D Droog to check if available, the Session is on after the Hobart flights end so this extends travel period.

11 MEMBERS ONLY WITH AUDITORS' SESSION

Noted the Chair had earlier asked if the Auditors had any matters to discuss with members only in the absence of management and they did not.

12 MEMBERS ONLY SESSION

The Chair asked if members had any matters to discuss in the absence of management.

It was noted the members had nothing to discuss in the absence of management.

MEETING CLOSE 3.18 pm