

**FLINDERS COUNCIL AUDIT PANEL MEETING
CONFIRMED MINUTES**

DATE: 5 October 2023
VENUE: Rose Garden Room, FAEC, Whitemark and via Teams
COMMENCING: 1.00pm

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1. MEETING OPENS

The chair opened the meeting at 1.00pm

2. ATTENDANCE

MEMBERS		
Position/Organisation	Name	In-Attendance
Chairperson (Via Teams)	John Watson	Yes (1pm - 2.19pm)
Member (Via Teams)	Diana Droog	Yes (1pm - 2.19pm)
Member	Gerald Willis	Yes (1pm - 2.19pm)
GUESTS		
Tasmanian Audit Office	Jeff Tongs	Item 8.7 (2pm - 2.13pm)
Tasmanian Audit Office	Simone Lee	Apology
Tasmanian Audit Office	Dylan Xing	Item 8.7 (2pm - 2.13pm)
STAFF		
General Manager	Warren Groves	Yes (1pm - 2.19pm)
Contract Accountant (Via Teams)	Marissa Walters	Yes (1pm - 2.13pm)
Executive Officer (note taker)	Sue Mythen	Yes (1pm - 2.19pm)
Guests / Observers:		
Councillor	Cr Ken Stockton	Yes (1pm - 2.19pm)
NOTE: Standing invitation to Council Elected Members as observers		

BUSINESS

3. ACKNOWLEDGMENT OF COUNTRY

The Chair opened the meeting with the following acknowledgement of Country:

We respect the deep and continuing connection the Traditional Owners may have had to these lands and waters we reside on, and we will continue to work together with them to care for the Country.

4. DECLARATION OF INTERESTS

4.1 Declarations of Interest

The Chair asked if any updates were required: No Variations to the table were noted.

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
Warren Groves	Ongoing		Furneaux Historical Research Association Incorporated	Member	Perceived	4 April 2023

4.2 General Manager's Declaration – General

The General Manager declared he had 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.

4.3 General Manager's Declaration – Credit Cards

The General Manager declared there have been no unapproved/cancelled transactions or change of card users within the organisation since he last reported to the Panel on 13 June 2023.

- 1/9/2023 Cancellation of Card for C Wilson due to resignation

5. CONFIRMATION OF PREVIOUS MINUTES

DECISION

The Panel noted that the minutes for the meeting held on 13 June 2023 were confirmed out-of-session via circular resolution.

Attachment 5.1 Confirmed minutes 2023.06.13

6. ACTIONS ARISING FROM PREVIOUS MEETINGS OF THE PANEL

6.1 Actions Table

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.	13/6/2023 Completed
2023.02.21	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.	The additional effort is not warranted given that the current statement satisfies the model. Action complete
	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.	Presented 13/06/2023 – Action complete
	John to provide Panel members with an example of a credit card report for information.	Complete 13/06/2023
	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.	See attached report at item 8.4.1 – Ongoing standing item – Action complete
	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 distribute the revised document to the Business Continuity Team.	Completed 13/6/2023
2023.04.04	<i>'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</i>	Yes, Cyber insurance for Council is confirmed, invoice 031-351843 paid 27/07/23. Regular reporting will be supplied as standing item. Mark complete at 5/10/23

Meeting	Action	Progress
	<p>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.</p> <p>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.</p> <p><u>DECISION</u> 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.'</p>	COMPLETED
2023.06.13	General Manager to research Remote/Regional Airport Groups (approx. 69)	Awaiting further information from Airport Operations Officer
2023.06.13	General manager / Governance to investigate 'Whistle Blower Policy and relevant Tasmanian legislation	Investigated other Council approaches, propose to add to existing PID procedure. Researched other Council and they include in their PID policy – is on list to be amended.
2023.06.13	John requested Council report showing notes on budget items. John will send through example of what he means	Example of agenda item to reflect notes
2023.06.13	John to send General Manager Screen shot of 'essential eight'	Complete
2023.06.13	Include as standing item in agenda a statement from the General Manger similar to item 4.2 stating there have been no unapproved/cancelled transactions or change of card users.	Completed and included as agenda item
2023.06.13	General manager to develop Gantt chart showing capital grants revenue & expenditure timeline	Currently being reviewed by IT

The Panel discussed the model, which is based on [Appendix D of A Practice Guide for Local Government Audit Panels published by the Local Government Division of Department of Premier and Cabinet](#), and noted that the model requirements are the minimum standard and where value is added, going beyond the standard is desirable.

The status of the actions was noted.

6.2 Risk Management Framework Update

The draft version of the revised, interoperable, Council-wide Risk Management Framework was presented at the 13 June 2023 Audit Panel Meeting. At the 28 June 2023 Ordinary Council Meeting the council adopted the Flinders Council Risk Management Framework June 2023.

DECISION

Adoption of the Risk Management Framework was noted by the Panel.

6.3 Future 2023 Meetings

Meeting dates for the remainder of 2023 are:

- 7 December at 1pm (To discuss possible meeting dates for 2024)

DECISION

The dates for 2024 are to be set as close as possible to the 2023 dates.

7. CORRESPONDENCE

7.1 Correspondence IN

7.1.1 2023.08.20 Tasmanian Audit Office (TAO) - Submission of Financial Statements met requirements

7.2 Correspondence OUT

Nil

DECISION

That the Correspondence be noted.

8. STANDING AGENDA ITEMS

8.1 Financial Report

The Audit Panel was advised that a budget variation had been passed to allocate \$30,000 specifically to benefit Cape Barren Island..

Figures for the period July – September 2023 will be circulated out of session as soon as available.

*Attachments: 8.1.1 Draft end of year Financial Statements 2022/23 - Noted
8.1.2 Agenda item End of Year Financial Statements - Noted with above
8.1.3 Latest Budget 2023-2024 – Has been adopted by Council*

Marissa provided the following update:

Reports for July – September 2024 are not yet available, they will be 2 weeks away and will go to the October Council Meeting and circulated out of session.

The end of year statements 2022/23 are now signed off by the TAO and Marissa will distribute out of session also.

Main findings were year on year land value moved significantly so had to do a correction to revalue. Near the end of the year invested rolling \$6 Million, the TAO wanted this to be shown as investment classification.

It was picked up that the quarry and landfill rehabilitation past years' figures need full review to take in ongoing commitment. i.e. cell costs etc. We did increase this however, we will tidy this in the next year, the value of the provision is around \$300,000 combined.

Surplus/Deficit status – The ATO requested this be treated differently and ended up as -\$666,000 underlying deficit. For the year end 2022/23 this was due to the grant funds being received in advance of 2023/24 project commencements.

Roads were revalued and reindexed, footpaths had a large indexation. Revaluation of the Airport is due so management had to revalue the airport based on indexation, Bridges were revalued.

Marissa clarified the investment category of non-current versus current.

Unrestricted cash showing \$7.6 Million in uncommitted funds and \$3 Million committed (including Grants unspent etc).

DECISION

The panel noted variations to budget and financial reports as presented by the Consultant Accountant.

Action: The chair requested that for the next meeting the Panel have the audited accounts and a couple of pages explanation included to give the Panel an understanding of where the council stands.

8.2 Policy Review

The following policies have been reviewed since the last Panel meeting 13 June 2023:

- Asset Disposal Policy
- Asset Disposal Procedure

The following policies are scheduled for adoption at Council meeting 27/9/2023

- Elected Members Allowances Reimbursements & Equipment Policy
- Code for Tenders and Contracts
- Travel and Accommodation Policy
- Travel and Accommodation Procedure

The following policies are scheduled for the next available Council Workshop for discussion:

- Visits to Cape Barren Island (to be discussed after Council visits Cape Barren Island and consultation with the Cape Barren Aboriginal Association)
- Customer Service Charter (27/9/23)
- Public Open Space Policy (25/10/23)
- Personal Information Protection Policy (review in draft)

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-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 (Review in draft)

Attachment: 8.2.1 Policy & Procedure Manual summary

The General Manager advised that a Governance team member is leaving and may have the capacity to undertake policy reviews remotely.

DECISION

The Policy Review report was received and noted.

8.3 Audit Panel Work Plan

The Draft Audit Panel Work Plan 2023/24 is presented for review.

Attachment: 8.3.1 Audit Panel Work Plan update

In Tasmania Financial Statements have to be with the Tasmanian Audit Office (TAO) by 14 August and the TAO should return them by 30 September, The TAO is struggling to meet these deadlines at present.

DECISION

The panel reviewed and noted the Work Plan.

8.4 Credit Card Audit

The following Credit Card Report for the period May to August 2023 was presented for review at the meeting.

Attachment: 8.4.1 Credit Card Report

DECISION

The Credit Card report was received and noted.

8.5 Cyber Security

A cyber security report is presented for review and feedback.

The General Manager advised the report is a work in progress, people have multiple roles and it is difficult to focus on all the different aspects of their role, however we are leveraging off the Devonport Model which is highly regarded.

The Flinders assessment of status and plan moving forward is summarised on Page 7 (green). We have yet to tick any boxes at level one.

Backups are undertaken daily and stored for 60 days, storage regarding 60 day backup. We pay Techquity to undertake this.

Attachment: 8.5.1 Cyber Report

DECISION

The Cyber Security report was received and noted.

Action: – Another column to be added on the summary page (7) giving current status (i.e. Compliant or Not Compliant). This will provide a clearer picture and identify where work has to be focused to achieve level one.

8.6 Internal review topic

The Chair has suggested that as Flinders Council is not subject to a program of internal audit reviews, that to aid the Audit Panel in assisting the council and its management to have greater confidence, that at each Panel meeting, management present a report on a part of the council's processes/systems outlining:

- The nature of the process/system.
- The checks and balances employed to mitigate opportunities for fraud or other inappropriate behaviour

This would not be a substitute for a professional internal audit review but would encourage staff to think about how and what they do and for the Panel to potentially offer advice where it might identify a weakness or opportunity for improvement.

It is proposed that at this meeting the Panel with the General Manager identify a number of areas that could come to the Panel over future meetings.

The potential list for early consideration could include:

- Payroll
- Creditors
- Planning
- Project/contract management
- Procurement
- Property leasing/Licences
- IT systems (password protocols, Administrator rights, Fire wall protections)
- Camping facility management
- Disaster planning
- Business continuity Plan

The chair suggested that as Council does not have internal audit we used this panel to review progressively to see that checks and balances were being undertaken.

The General Manager had not previously considered this, however does see value in it dependent on the time taken by already stretched resources. I.e. Procedures for payroll, may need updating (MW)

Marissa Walters advised that smaller councils over the past years have not done this but have recently wanted to engage someone to do internal audit i.e. Glamorgan and Break Of Day (has done once so far). She feels someone external is better and they can do risk assessment at the same time but this requires a budget.

***ACTION:** The Chair recommended that the General Manager talk to other General Managers and Council about options and costs as it is about protection for both the Council and Management. Without a program of internal audit, a Council and Management are really exposed.*

Marissa Walters will send contact details with options for external audit, what they can offer and cost. It was noted that the process could be undertaken via online options without incurring travel to the island.

8.7 Tasmanian Audit Officer (TAO) Audit findings

Tasmanian Audit Office - audit completion report

- Dylan Xing and Jeff Tongs joined the meeting at 2pm,

Attachment: 8.7.1 TAO Audit Findings yet to be Resolved Report at 29/9/23
8.7.2 Audit Completion report – Simone Lee

DECISION

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

The TAO have acknowledged receipt of the statements and have progressed to audit. The statements are yet to be signed off. Simone Lee is checking closed reports, and there is a management representation letter to come and check no subsequent events then will be finalised.

Dylan addressed the meeting: The first two misstatements are uncorrected ones, for it is immaterial in amount. However, it is in relation to the interpretation of accounting standards, AASB 137 Provisions, Contingent Liabilities and Contingent Assets, therefore, it was raised.

The unwinding impact and repricing impact of the quarry rehabilitation provision and the landfill rehabilitation provision were not correct. From the review of the workpaper on the provisions, there is no unwinding impact calculated. For the current quarry and landfill sites that are in operation, the repricing impact should be recorded in the asset side of the provision, other than in profit and loss.

It was noted that the quarry asset was revaluated to nil balance last year, however, there should be an asset for quarry, given the current quarry site is not closed down. This brings to an uncorrected misstatement that impacts the prior year financials.

There are three corrected misstatements.

1. The reclassification of cash equivalent and investment for a new arrangement of term deposit between Council and the bank. From the review of the terms in the arrangement, TAO assessed it as an investment rather than a cash equivalent.
2. Identified in the land indexation that Council should index the land assets based on the Valuer-General's land adjustment factors every year. It is noted that Council didn't index the land value and it understated the land value by \$969,000.
3. Relates to the full revaluation of bridge assets. The written-down value of bridge assets increased by \$664,000 based on the latest unit rates provided by AusSpan after Council submitted the financials to TAO.

The total impact on the financials of the three misstatements is \$1.6m, which is greater than the 2023 materiality, therefore, TAO raised adjustments and communicated them with Marissa Walters.

TAO approach on determination of materiality didn't change from the planning audit, which is based on the total assets. The final materiality increased slightly due to the increased total asset at year end.

Five significant risk areas were identified, including one key audit matter. The final audit assessed them as the significant risk areas also. TAO believe that they undertook sufficient audit procedures to obtain sufficient and appropriate audit evidence to address these significant risks.

The Chair queried the process in Tasmania as there is no specific role for the audit panel in end of year, the outcome is simply accepted. Jeff Tongs (TAO) advised that there is nothing to stop adjustment of the charter to have some input from the Audit Panel in discussion with the General Manager.

The Chair summarised by saying he was hearing that there are no real issues or surprises which is good, on behalf of the Panel he thanked the TAO auditors and Marissa Walters for their work.

Marissa Walters, Jeff Tongs and Dylan Xing left the meeting at 2:13pm.

DECISION

The Panel noted the Advice from TAO regarding Audit findings.

9. ADDITIONAL AGENDA ITEMS

Nil

10. OTHER BUSINESS

- The budget allocation for grader cabins was queried, the General Manager advised this is a maintenance option that will extend the life of the assets.
- Asset Management software was discussed, software can be expensive. Council contracted this out in the past, however the contactor left abruptly without providing a comprehensive inventory.
- Members noted the report of audit findings was hard to read – look to send out as excel sheet.
- The Chair invited Councillor Ken Stockton to address the meeting. Cr Stockton said as an observer he enjoyed the discussions; it was a good backup for subsequent council dialogue. He added that it was comforting that no alarm bells were ringing, and members' efforts were much appreciated.
- The Chair explained that in Victoria Councillors are included as members on the audit and risk committees subject to their being a majority of independent members. The chair indicated he would not object if that was considered by the Flinders Council and that inclusion of Councillors has a number of benefits.

11. MEMBERS ONLY WITH AUDITORS' SESSION

The Auditors advised they did not have any matters to discuss with members only in the absence of management.

12. MEMBERS ONLY SESSION

Members of the Panel advised that they did not have any matters to discuss in the absence of management.

NEXT MEETING: 7 December 2023, 1PM

MEETING CLOSE: 2.19pm