

GOV 1 NOTICE OF MOTION – MAYOR CRAIG PERKINS – AUDIT PANELS

1) Introduction

The purpose of this report is to consider a Notice of Motion from Mayor Craig Perkins, asking the Local Government Association of Tasmania (LGAT) to write to the Minister requesting the removal of the mandatory requirement for councils to have an Audit Panel.

2) Background - Mayor Craig Perkins

Some of the larger councils in the State have operated audit panels or committees for some time, because they choose to do so.

During the annual audit process of councils by the Auditor General over the past four years, he has made recommendations to those councils without audit panels or committees, to establish audit panels. A small number of councils have established audit panels based on these recommendations.

Earlier this year the Local Government Act 1993 was amended to include a requirement for councils to have an audit panel, and following this the Local Government (Audit Panels) Order 2014 was issued.

It is proposed that a motion be taken to the next General Meeting of LGAT on 24 September 2014 asking for LGAT to write to the Minister for Local Government requesting the removal of the mandatory requirement for councils to have audit panels, unless there is an express reasoning by the Auditor General and supported by the Minister for Local Government in relation to an identified and ongoing issue with a council. In this instance the Minister could direct that council to establish an audit panel.

It is acknowledged that internal audits are a significantly important process for councils, and that currently most councils have a system in place to oversee this function.

Some examples of the activities and processes currently used by councils include:-

- Annual audit process by the Auditor General's office which review the financial systems and procedures;
- Assessment of risk management system and process by insurance company LMI;
- Local Government Board reviews approved by the Minister;
- Internal auditing process which operate for work health and safety, risk management, legislation compliance and policy reviews;
- Requirements for Strategic Plan reviews, Annual Plan, Asset Management Plan and Strategy and Long Term Financial Plan;
- Quarterly reporting to Council on budget financials and Annual Plan achievements.

The motion does not support not having audit panels, but says have them if there is a problem to be addressed.

AUTHOR: Craig Perkins
MAYOR

3) Strategic/Annual Plan Conformance

Many of the activities are listed as actions in the Annual Plan and the Annual Plan is reviewed quarterly to ensure these actions are completed on time.

4) Policy Implications

Not Applicable

5) Statutory Requirements

Council is currently required to establish an audit panel under Section 85 of the Local Government Act 1993, and in accordance with the Local Government (Audit Panels) Order 2014.

6) Risk Management

Risk management is an operational matter currently managed and reviewed by external insurers and the organisation.

7) Consultation with State Government and other Authorities

Not Applicable

8) Community Consultation

Not Applicable

9) Financial Impact

Council has budgeted \$15,000 to operate the Audit Panel this financial year, with expenses for payment for the chairpersons fees, secretarial support, meeting preparation and expenses.

10) Alternative Options

Council can elect not to support or amend Mayor Perkins motion.

11) Officers Comments

The intent of Mayor Perkins motion is to give councils the option of having an audit panel, unless there is a concern identified by the Auditor General regarding the operation of a particular Council. In this instance the Auditor-General could ask the Minister to instruct that Council to establish an audit panel.

Most Councils in the State have a process for reviewing their performance and to impose a mandatory requirement on all Councils is an added financial cost and unnecessary use of resources, with no substantiated benefits.

For small councils such as Flinders, King Island and West Coast these costs are substantial in relation to the overall budget.

There appears to be mixed views between councils about the benefit of audit panels, with some supporting and others not.

From a general managers perspective, some have concerns about the panel members delving into operation matters, rather than reviewing systems and process.

It should also be noted that the Minister when asked about audit panels at the recent LGAT general meeting stated he had discussed the matter of audit panels with the Auditor General. Based on these discussions and at this point in time he would continue with the requirement for Councils to have audit panels.

At this point Barry Jarvis, Mayor of Dorset Council, advised the Minister that his Council had passed a motion not to establish an audit panel. The Minister made no comment and it will be interesting to see what course of action the Minister takes.

AUTHOR: Greg Preece
GENERAL MANAGER

12) Recommendation – Mayor Craig Perkins

It is recommended that Council ask the Local Government Association of Tasmania to write to the Minister for Local Government requesting the removal of the mandatory requirement for councils to have an audit panel, unless there is an express reasoning by the Auditor General and supported by the Minister for Local Government in relation to an identified and ongoing issue with a Council.

DECISION: