

**FLINDERS COUNCIL AUDIT PANEL
UNCONFIRMED MINUTES**

DATE: Tuesday 25 September 2018
VENUE: Rose Garden Room, FAEC, Whitemark
COMMENCING: 10am

PRESENT

Mark Scanlon Chair
 John Dick Member
 Diana Droog Member

IN ATTENDANCE

Bill Boehm General Manager
 Heidi Marshall Accountant
 Jade Boyes Office Team Leader (minute taker)

APOLOGIES

Mayor Carol Cox

DECLARATION OF INTERESTS

Audit panel members must declare any interests.
 Mark Scanlon noted no longer works for health

Name	Appointment Date	Rotation Date	Person and/or Organisations with Interest	Nature of Conflict of Interest	Perceived / Potential / Actual	Date of Declaration	Action Taken
Mark Scanlon	13 Dec 2017	30 June 2019	Launceston City Council	Independent Chair of Audit Panel	Potential	18 Dec 2017	
	13 Dec 2017		Public Trustee Tasmania	Chairman	Potential	18 Dec 2017	
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	

CONFIRMATION OF PREVIOUS MINUTES

That the minutes from the meeting held on the 4 July 2018 are a true record.

CARRIED

CORRESPONDENCE IN:

2018.07.02 Lyndall Kimpton – Response re Auditor’s Workplan
2018.08.24 Bill Boehm – Relevant Update Reports
2018.09.13 Vicki Warden – Notice of 25 September meeting
2018.09.17 John Dick – Agenda items for next meeting
2018.09.24 Lyndall Kimpton – Waiting approval to attend meeting
2018.09.25 Mayor Carol Cox – Apology unable to attend meeting

CORRESPONDENCE OUT:

2018.09.20 Committee members, Councillors, Lyndall Kimpton and Mayor Carol Cox - Invitation to attend September 25 meeting

BUSINESS ARISING

1 Auditor’s Work Plan

Points for consideration raised by panel members on the Flinders Council 2018 Audit Strategy were forwarded to the Auditor. An email from the Auditor was received on 20 June to say that the Auditor’s response is currently with the Tasmanian Audit Office for review.

Addressed at previous meeting.

2 Investment Review

The Panel’s concerns regarding BT Investments’ management of Council’s Investment Portfolio and the Panel’s recommendation to obtain independent assistance to review these matters were taken to the June Council Meeting for consideration. Council resolved to ‘request that the Audit Panel revisit this matter with Councillors at their next meeting on 4 July 2018 and that the Mayor be invited to attend.’

No Councillors were in attendance at the 4 July 2018 meeting therefore the agenda item has been carried over to this meeting.

No councillors were in attendance, item to be carried over to the next meeting.

3 Policy Review

The Panel’s recommendation that Council engages an independent person to review all Council’s policies in their entirety was taken to the June Council Meeting for consideration. Council resolved to ‘accept the Audit Panel’s recommendations in relation to Council engaging an independent person to assist in the review of all the policies in their entirety.’

At this stage there has been no budget allowance to fund this external work but, in any event, most of the strategic work will need to be undertaken by senior staff.

However, previous general reviews of policies indicate that there is a significant amount of work required to streamline a range of policy matters as many are operational in nature.

Policy reviews are in part associated with Item 4.7 of the Audit Panels Work Plan and it is suggested that the Panel include examination of the overall rationale, principles and processes associated with policy making generally as part of its charter as this could potentially streamline operations. This suggested action has been included as a new item 4.7.1 in the latest Draft Work Plan.

General Discussion

The General Manager advised that there is no budget allocation for the review. Senior staff will look at the strategic review.

The Panel indicated that they would be happy to work with council to set the framework around the policies.

Heidi asked the Panel to look at streamlining the policies and defining the framework between principles and guidelines versus procedures.

The Panel noted the financial position and requests an update at the next meeting.

The Panel has been advised that there is no budget, won't be proceeding with recommendation, most of the framework will be undertaken by senior staff.

4 Audit Panel Work Plan

The final version of the Work Plan is presented for discussion.

Discussions occurred around the work plan and rewording was suggested for some headings.

Heidi informed the Panel of current limitations with financial software and that changes are required to improve the reporting going forward.

Heidi also noted that we have two systems that don't interact and currently journals are used. She is currently working on finding a solution for these issues.

Panel was updated by Heidi on current limitations on existing financial systems, priority is to address those limitations.

Note that an update to be provided to the Panel on current issues and the progress at the next meeting. The Panel advised they are pleased with the progress on this matter.

Going forward Heidi will be looking at getting independent assistance to improve the interaction between the two systems work efficiently. The panel support the work that is currently being undertaken in reviewing the systems.

AGENDA ITEMS

5 Audit Trail of Budget Movements

Variations to the budget and movement of money will be presented for the Panel's consideration. The Panel previously endorsed an approach, but since this time the structure of Council's budget has altered slightly.

A revised summary arrangement and revised approach with respect to Audit Trail movements was presented and reviewed as per the following summary:

- (a) BUDGET 2019 - Income and Expenditure and Other Comprehensive Income
This is a summary page of operations. Any variations arise as a result of changes elsewhere.
- (b) BUDGET 2019 – Summarised Overview
The totals of each category are to be reviewed by Council.
- (c) Appendix 5 – Department Income and Expenditure
Movements between expenditure functions are reported as a variation with explanations for Audit Panel oversight.
- (d) BUDGET 2019 – Full Capital Program.
Movements between Roads to Recovery projects are reported as a variation with explanations for Audit Panel oversight. Other capital variations are to be reviewed by Council.

Motion

Moved: Mark Scanlon

Seconded Diana Droog

That the revised Audit Trail of Budget Movement Process be received and endorsed.

6 Interim Audit Report

Council's Auditors provided an Interim Audit Report and have sought management responses. A copy of the report and our responses was reviewed by the Panel.

The Panel noted the following:

- *Inconsistency in the report of description of medium or low risk.*
- *Mark noted that there should be a target date such as*
 - ~ *High rated - immediate action*
 - ~ *Moderate – up to 3 months*
 - ~ *Low – 6-12 months*
- *Also an expected completion date in status column*

Moved: Mark Scanlon

Seconded: John Dick

The Panel recommend that the Panel has agreed that updating the policies can be deferred so that other work can be undertaken in terms of financial systems.

7 Relevant Update Reports

The following relevant update reports were previously circulated to members of the Audit Panel on 24 August 2018 by email. They comprise the following:

- 2018-19 Rating Strategy Overview
- 2018/19 Budget Estimates
- Long Term Asset and Financial Management Plans
- 2018-19 Annual Plan

The Long-Term Financial Plan documents, which are identical to the Budget documents (minus the explanation) forms part of the Panel's oversight role. Heidi Marshall and staff have done a terrific job following lots of work and structural reorganisation of our finances with much more to follow.

The Long-Term Asset and Financial Management Plan adopted is an income and expenditure, with a well thought out cash-based, forecast model. However, we will need to make this and the written strategies compliant with appropriate Management Indicators by reviewing the forecasts of non-current and current assets. We have a lot of work to do but have made a start with a view to having a more complete Plan presented to the 11 October Council Meeting. The aim was to incorporate all of the required strategies and plans into the one document rather than splitting them.

Alex Tay (Director Local Government) has also been advised of the above to keep him in the loop.

These documents are interlinked structurally and are effectively, an explanation that addresses Actions within No 4.2 of the Audit Panel's Work Plan. It is suggested that the Panel review these plans within this context and provide feedback.

The panel notes that they are happy with the progress to date with the development of the plans and some of the underlying work being undertaken particularly around rating strategy.

8 Cyber Security

Process or policy around cyber security breach.

Discussion around Council's security measures around the policies around cyber security and the measures in place to deal with these matters.

The Panel ask for a report on the existing systems and the security measures in place.

9 Risk Management Framework Update

The Panel advise to defer to next meeting.

10 Cultural/Ethical standards in the Council Organisation

Process around Audit Panel members meeting with staff to review the cultural/ethical standards in the Council Organisation.

The Panel noted that Bill advised that he is happy for the audit panel members to have discussions with staff members around this in order to better understand the current culture.

11 John Dick Agenda Item Suggestion

John's Dicks suggestion for discussion involved the following:

- a) exploring the sensitivity of the reserves (particularly the cash reserves) to either a revaluation or devaluation of assets or a slowing down or acceleration of depreciation.
- b) The possibility of some ratio's in relation to crown land and the assets provided by council so at some time the crown can manage that land e.g. Roads, drainage, fencing fire protection provided by Council on the road side verge.

General Discussion

Heidi advised that she has developed the cash model and the depreciation forecast for the next 20 years. A review of assets, plant, buildings has been looked at.

The current financial plan shows the impact this has.

12 General Manager's Update

12.1 Quarterly Financial and Investment Reports

These will be prepared and finalised for presentation at the 11 October Council Meeting. Due to time constraints and the need to restructure the model to suit the new budget formats, it was not possible to have the new format available for review by the Audit Panel.

12.2 Budget Information

As well as preparing and finalising Council's budget documents, Council staff have prepared a raft of information associated with the Council's long term strategy and budget as attached. Two Community Information Sessions were also successfully undertaken and well received albeit with low attendance. From all accounts, these were well received and from what we understand, was the first time such an exercise had been undertaken.

The General Manager Update was received and noted.

OTHER BUSINESS

Credit Card Checks

Diana Droog advised that credit card statements up until 31st August 2018 have been checked with no problems identified.

NEXT MEETING

Early 6th November 10am

MEETING CLOSED

Meeting closed 1:14pm

ACTION LIST

DATE	ITEM	ACTION TAKEN
2018.06.04	Vicki to follow up with the Auditor on a response re the Auditor's Work Plan.	Email sent 4 June, email from the Auditor was received on 20 June to say that the Auditor's response is currently with the Tasmanian Audit Office for review.
2018.06.04	Mark to provide Bill with the latest version of the Local Government Audit Panel Guidelines. Mark and Bill to complete and populate the Audit Panel workplan.	
2018.06.04	Diana to complete the quarterly Credit Card Check.	