

FLINDERS COUNCIL AUDIT PANEL UNCONFIRMED MINUTES

14.2 - February 2019

DATE: Tuesday 29 January 2019
VENUE: Rose Garden Room, FAEC, Whitemark
COMMENCING: 9.55am

IN ATTENDANCE - MEMBERS

Mark Scanlon Chair
 John Dick Member
 Diana Droog Member

IN ATTENDANCE - STAFF

Bill Boehm General Manager
 Heidi Marshall Accountant
 Vicki Warden Executive Officer (minute taker)

IN ATTENDANCE - GUESTS

Mayor Annie Revie
 Cr Sharon Blyth
 Cr Peter Rhodes

APOLOGIES

Cr Vanessa Grace

DECLARATION OF INTERESTS

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 (FITB)	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	

No changes to the declaration of interests were declared.

CONFIRMATION OF PREVIOUS MINUTES

Flinders Council Audit Panel Meeting Unconfirmed Minutes 29 January 2018

The meeting confirmed that the minutes from the meeting held on the 25 September 2018 are a true record.

CORRESPONDENCE IN:

2018.09.24 Lyndal Kimpton - attendance at Audit panel meeting -10am 24 September
2018.09.25 Mayor - apology for inability to attend Audit Panel Meeting
2019.01.15 Miriam Rule – LGAT Audit Panel Training Workshops

Correspondence in was noted.

CORRESPONDENCE OUT:

Nil

Nil correspondence out was noted.

BUSINESS ARISING

1 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 or the 25 September 2018 meeting therefore the agenda item was carried over to this meeting.

Panel members summarised their concerns for Councillors' information:

- BT's reporting is inadequate – not showing the return on investment over time and how it rates in comparison to the market. Appears as though council is not getting the returns expected.
- A range of investments are overseas which exposes council to considerable risk. Council's Investment Policy allows this, however most councils wouldn't expose themselves in that way, especially with such a small investment. Costing council \$12,000 per year in fees to have the portfolio managed and the returns don't justify this. Current Investment Policy may not be appropriate for the size of council or for council's needs. Maybe a simpler Policy could reduce costs to council.
- Value of the portfolio has declined a little due to the market, which is normal. We're paying a lot of money for little return and could be better off getting 2.5% on fixed term deposit.

Action: *Panel recommended that Council reviews the Investment Policy in view of comments provided and adjusts investment portfolios in line with the new policy.*

2 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 the 25 September meeting 2018, the Panel was advised that there is no budget allocation for the review, staff would not be proceeding with the recommendation, and that most of the framework will be undertaken by senior staff.

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 agreed that policies are to be brief, setting the direction for staff to follow. Staff to develop accompanying procedures to explain how to deliver on the policy.

The Panel acknowledged that the policy review will take time and discussed the value of using the review of the Investment Policy, as recommended in Item 1, to develop a framework as a template for reviewing all policies. Heidi Marshall suggested reviewing all existing policies around cash holdings as a suite as investment is only one element of the portfolio.

Action: *Mark to ask Launceston City Council if we could use their Investment Policy as a model.*

3 Audit Panel Work Plan

Council meeting requests, as listed in Item 9, have been added to the Work Plan, highlighted in grey. The Panel acknowledged that resources are limited but will endeavour to work through the plan.

4 Budget Movements

As a standing item on all Panel meeting agendas, variations to the budget and movement of money are presented for the Panel's consideration. No budget movements were presented as the December 2018 review has yet to be completed. This will be presented to the February Council Meeting and will come to the next Panel meeting.

5 Relevant Financial Update Reports

At the 11 October Council Meeting, Council adopted the Asset and Financial Management Strategies and Plans document which comprises a Financial Management Strategy, Long Term Financial Management Plan, Asset Management Strategy and Long-Term Strategic Asset Management Plan.

At the 12 December 2018 Council Workshop, Heidi Marshall presented an overall Introduction to Finance, a copy of which is attached for information. Heidi has provided a further progress update of key financial aspects relevant to the Audit Panel's Work under item 8.

The Panel acknowledged the challenges council faces and that staff are taking action to address the issues. It will be a long-term project, and councillors will have difficult decisions to make going forward.

Heidi Marshall informed the Panel that staff still need to develop a range of KPIs in order to evaluate sustainability. It was suggested that comparative data from other councils be obtained to show that historically we haven't raised rates enough. Other councils don't have an airport so comparative data can be difficult. We need to understand our normal budget and identify the

peaks and troughs in order to adequately compare data. We have a huge asset base to maintain and a small rate base, but if we keep putting up rates, we will overburden the rate base.

Action: *For Information*

6 Cyber Security

This item was introduced to the agenda in September 2018. The Panel requested a report on existing systems and the security measures in place in relation to cyber security breach. At this stage no work has been undertaken.

The Panel requested that the item remain on the agenda as it is very topical and a real threat.

Action: *Bill Boehm to add review of Cyber Security to the Audit Panel Workplan.*

7 Risk Management Framework Update

Council's current Risk Management Framework was discussed and generally considered a very useful document.

Diana Droog asked if the Framework was included in new employee induction and if staff were required to sign off on having read it. New staff are required to undertake online health and safety training.

Action: *Bill to ensure Risk Management Framework is included in Induction Program.*

John Dick suggested the following additional risks for consideration:

- Gums quarry costs;
- Liability of coastal inundation;
- Failure of waste management strategy; and
- Development issues.

Action: *John Dick to meet with Bill Boehm to discuss additional risks for Risk Management Framework.*

The Panel briefly discussed the risks associated with totally outsourcing all planning to another council.

Heidi Marshall suggested that the Framework needed a statement explaining Council's risk appetite and that risk assessments should be done as part of rationale for expending large amounts of money.

Action: *Bill Boehm to develop a statement of Council's risk appetite for Council adoption and add it to the Framework.*

AGENDA ITEMS

8 Financial Systems Update

At the September Panel meeting, Heidi Marshall informed the Panel of current limitations with the two financial software used by council and that she would be looking at getting independent assistance to improve the interaction between the two systems. The Panel supported the work being undertaken in reviewing the systems.

For this meeting Heidi provided the following update:

“Since the last meeting, I have had various conversations with independent consultants and our preferred Financial Consultant, Marissa. As there are numerous areas to evaluate, and there are both time and resource constraints, my approach will be to utilise our current consultants’ insights like Marissa and Gavin, and then decide on the best approach to scope a project to improve the systems, in order to generate better reporting and improved efficiencies.

A risk of the current system setup is that the council relies heavily on external consultants to understand their data.

There are three main “Bolt on Systems” to be evaluated:

- Asset Management Assetic: This is currently outsourced. One of the main aims of a system improvement is to bring the asset management inhouse, however this is an extensive task which will most likely only be scoped within the 2019 year. At present we are not sure what benefits we receive from having our assets within Assetic, and whether it is an appropriate system for us to use.
- Payroll System – Xero: The Payroll bolt on from Xero has several limitations and does not provide a HR component.
- Property Wise System: Property Wise is a bolt on that manages the activities and charges relating to properties e.g. rates, building applications. It is specific to Council use and therefore is integral to the function of the Council. The interface between Property Wise and Xero uses manual journals. Brighton Council has recently adopted Xero as their reporting tool and will be investigating ways to integrate Property Wise and Xero in real time. As this will be a learning curve on their behalf, this area will not be our focus for integration in the near future. Instead, I will review the manual tasks to streamline and derive efficiencies.”

At the Panel’s request, Heidi elaborated on the systems limitations:

- Xero - has many limitations which make work very difficult. The best option is to have one integrated system however council is not able to afford it. Xero is cost-effective but not ideal for what we do the way it is set up. Brighton Council is currently looking at changing to Xero so it has advantages.
- Assetic – the program captures information but doesn’t analyse it so it is difficult to get any information from it apart from the end of year report. Replacement and depreciation reports are needed to help us understand the real asset management issues and to plan. The program sits with an external consultant which costs us money. As a small council, we could manage our own asset management system in-house.

Action: *The Panel noted the financial systems update and requested that the item remain on the agenda to follow progress.*

Action: *Check that the consultant is complying with the current SLA and draw up a new SLA requesting additional reports.*

9 Review of Land Transfers and Delegations

As part of a continuing improvement program, Council requested that the Audit Panel add the following tasks into its Work Plan:

- A full audit of all land transferred to other parties in the past five years and a report to Council as a one-off task.
- An annual review of a random selection of Council delegated activities to ensure compliance with the *Local Government Act 1993*.

Bill Boehm included these items in the Panel's workplan (refer Item 3).

Diana checks Bills credit card. Could expand to include a random selection. Diana will do once a quarter. Add a few more on each quarter.

Review of Land Transfers

The Panel discussed a possible process for the audit:

- Staff to request a list of transferred land during the required period from the Land Titles Office.
- Staff to collate relevant information for each land transfer to be taken to an upcoming Audit Panel meeting.
- Audit Panel to review decision of council and delegations for each transfer and compare against the framework outlined in the Local Government Act.

Action: *Staff to commence land transfer audit process.*

10 Credit Card Check

Diana Droog reported that she had checked the General Manager's credit card statement for the last quarter, 1 September - 31 December 2018. No issues were found.

11 Audit Panel Training

LGAT is offering Audit Panel Training Workshops in Launceston in March 2019 with the support of wlf Accounting & Advisory. The Workshops are designed for Audit Panel Members and aim to provide an understanding of the role and emerging expectations of contemporary audit committees. Mark Scanlon will be attending compliments of the Launceston City Council and will share information received with Panel members. Diana Droog is considering attending. Diana to let us know.

Action: *Diana Droog to inform staff if she decides to attend the Audit Panel training.*

12 General Manager's Update

Since the last Audit Panel Meeting, Council staff have been working diligently on a range of year end issues.

The transition in briefing the new Council has commenced within an overall strategic approach as there is a raft of information and training to be undertaken. This included the following:

14 Nov 2018	Explanations on the Council organisation, Councillor Administration, Preparation for November Council Meeting.
16 Nov 2018	Leadership Development Program
20 Nov 2018	Meeting Procedures Training
5 Dec 2018	Safe Harbour, Plastic Recycling, Good Governance Training
12 Dec 2018	Land Use Planning, Community Development, Financial Overview
10 Jan 2019	Meeting Procedures, Workshop Topics and General Issues
15 Jan 2019	Bus Tour of Council Assets

A detailed outline of a work timetable has been developed as included in *Attachment 5.1* which includes how the Audit Panel's work is to be scheduled into this overall program.

Work also included preparation and adoption of the 2018/19 Annual Report (attached) which includes Council's Audited Financials.

Additionally, two grant submissions have been submitted to the state government for the airport runway upgrade and the safe harbour project.

It was acknowledged that the Audit Panel is a good risk management strategy for council and is a way to drive continuing improvement.

Action: *For Information*

OTHER BUSINESS

Panel Member Information

In response to the recent local government election, the Director of Local Government has requested current information about Audit Panel membership.

Action: *Staff to provide requested information on Audit Panel membership to the Director of Local Government.*

Mayor Revie asked why the Mayor did not receive a standing invitation to meetings along with the rest of the Councillors. The Panel discussed the matter and agreed that there was no known reason for the Mayor to be excluded from the invitation.

Action: *Staff to investigate including Mayor in standing invitations to future meetings.*

Airport

John Dick asked if council is missing out on landing fees from private aircraft; if it is possible to obtain fees from those undertaking touch and go training; and if council has considered charging parking fees at the airport.

Bill Boehm informed the Panel that payment of landing fees was an honour system that is well respected but it's possible that some are missed. Fees from touch and go training fees is an unknown issue. Something will be coming to council soon on parking fees at the airport
Question taken on notice.

Action: *Bill Boehm to provide response to the Panel on John Dick's question on airport fees.*

Comparative Analysis

Diana Droog commented that when she first joined the Audit Panel, she researched other Australian councils and her findings concluded that Flinders Council has a good operational setup and provides a lot of information to the public in comparison with other councils.

Action: *For information*

NEXT MEETING: 18 March 2019 at 11am

MEETING CLOSED 11.32am

ACTION LIST

Meeting	Action	Progress
2019.01.29	Panel recommended that Council reviews the Investment Policy in view of comments provided and adjusts investment portfolios in line with the new policy.	
	Mark Scanlon to ask Launceston City Council if we could use their Investment Policy as a model.	
	Bill Boehm to add review of Cyber Security to the Audit Panel Workplan.	
	Bill Boehm to ensure Risk Management Framework is included in Induction Program.	
	John Dick to meet with Bill Boehm to discuss additional risks for Risk Management Framework.	
	Bill Boehm to develop a statement of Council's risk appetite for Council adoption and add it to the Framework.	
	The Panel noted the financial systems update and requested that the item remain on the agenda to follow progress.	
	Check that the consultant is complying with the current SLA and draw up a new SLA requesting additional reports.	
	Staff to commence land transfer audit process.	
	Diana Droog to inform staff if she decides to attend the Audit Panel training.	
	Staff to provide requested information on Audit Panel membership to the Director of Local Government.	
	Staff to investigate including Mayor in standing invitations to future meetings.	
	Bill Boehm to provide response to the Panel on John Dick's question on airport fees.	