

FLINDERS COUNCIL AUDIT PANEL UNCONFIRMED MINUTES

DATE: Monday 16 March 2020
VENUE: Rose Garden Room, FAEC, Whitemark
COMMENCING: 11am

PRESENT

Mark Scanlon Chair
 Diana Droog Member (via phone)

APOLOGIES

Gerald Willis Member

ATTENDING

Warren Groves General Manager
 Heidi Marshall Finance Organisational Performance Manager
 Lyndal Kimpton Auditor
 Jan Lynch Auditor
 Vicki Warden Executive Officer (minute taker)

APOLOGIES

Nil

DECLARATION OF INTERESTS

Audit panel members must declare any interests.

Name	Appointment Date	Rotation Date	Person and/or Organisations with Interest	Nature of Conflict of Interest	Perceived / Potential / Actual	Date of Declaration
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
			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

CONFIRMATION OF PREVIOUS MINUTES

That the minutes from the meeting held on the 16 December 2019 are a true record.

Confirmed with the following addition to Item No. 10 - council credit card expenditure up to end of July 2019.

CORRESPONDENCE IN:

Nil

CORRESPONDENCE OUT:

Nil

LATE AGENDA ITEM

Audit Plan

Lyndall Kimpton tabled the Flinders Council 2019-20 Financial Audit Strategy. Jan Lynch outlined the key audit matters and the key risks for Council as detailed in the Strategy, along with the focus areas for this year. Jan explained that the Tasmanian Audit Office has changed its methodology for dealing with materiality and that several new accounting standards will be applicable for the first time for the 2019-20 financial year.

In relation to the responsibilities of the auditor for this year, they will be asking more questions than usual. The interim audit is scheduled for May however, depending on COVID-19 protocols, they may not visit at this time.

Heidi informed Lyndal and Jan that two major projects – Telecommunications and Runway Upgrades - will be finalised this year. These projects will be independently audited as part of the grant requirement.

Lyndal Kimpton and Jan Lynch left the meeting.

BUSINESS ARISING

1 Budget Movements

As a standing item on all Panel meeting agendas, any variations to the budget and movement of money will be presented for the Panel's consideration.

Heidi Marshall provided an overview of the 6 month budget review that was considered and approved by Council in February. Heidi explained the major variations to the budget that were summarised in a document provided to Council, but not provided to the Panel. The document was subsequently forwarded to Panel members.

The budget was reduced in other areas to compensate for the variations. The additional \$1.8 million grant from the Federal Government for the runway upgrade alleviated the overall impact on the cash bottom line.

Council has also received a \$1.8 million interest-free loan from the State Government for the next 5 years. This will be used as a bridging loan to cover cash expenditure while council waits for grant funding to come through for the Telecommunications and Runway Upgrade projects and to assist with the Safe Harbour project in future years.

Diana Droog commented that the budget document was a very clear and easy to read report.

Mark Scanlon noted that the provision of a quarterly Incident Report to Council was good governance practice.

2 Policy Review

At the 29 January 2019 Audit Panel meeting, the Panel agreed to use Launceston City Council's Investment Policy as a model to review Council's Investment Policy and to develop a framework as a template for reviewing all policies.

Work has yet to commence. As Council has no money to invest at this time, this is considered a low priority.

3 Audit Panel Work Plan

Action: Heidi and Gerald to review draft workplan and finalise it.

Gerald Willis provided a draft workplan, based on the guidelines for Audit Panels, for the Panel's consideration. The Panel agreed that the draft was an excessive for our size of council and that it could be condensed. The Panel sees its role as to help Council with decision-making processes. In 2020, Council is undertaking Strategic Planning and Long-Term Financial and Asset Management Planning and has developed an organisational workplan for the next 12 months dealing the plan to undertake this body of work. The organisational workplan was distributed to Panel members.

Action: Mark to review draft workplan and bring a simplified version to the next meeting.

4 Cyber Security

This item was introduced to the agenda in September 2018. The Panel requested that the item remain on the agenda until staff can provide a report on existing systems and the security measures in place in relation to cyber security breach.

Work has yet to commence. As this is a very real risk to Council, work on developing policies to improve procedures needs to be prioritised.

Action: Vicki to check with LGAT to see if they are doing any work in this area.

5 Risk Management Framework Update

Action: Mark to provide examples of risk appetite from other organisations.

After review of Council's current Risk Management Framework prepared in 2015, the Panel considered the document to be very useful and suggested some additional risks for inclusion along with a statement of Council's risk appetite.

Work on a statement of Council's risk appetite has been scheduled to commence in April as part of the Strategic Planning process.

Mark is currently working in this area with another organisation and will share the results with Council when completed.

6 Review of Land Transfers and Delegations

Land Transfers

Only one land transfer occurred during the past six years and it has already been fully audited. Council does not require any further auditing by the Audit Panel.

NOTED

Delegations

The Panel agreed to undertake an annual review of a random selection of delegated activities and determine compliance with the relevant Act.

At the December 2019 meeting, the Panel chose Action No.1 under the Building Act from the Instrument of Delegation, for review at this meeting:

- *Building Act 2016 - s.24(2)* - The general manager of a council must appoint a person as a permit authority for the municipal area of that council. - Compliance Officer and Building Surveyor (Consultant)

Information was provided as proof that the persons with the delegated authority have undertaken the necessary training / qualification to enable them to undertake the delegation.

The Panel considered the proof provided and noted that the delegation under *Building Act 2016 s.24(2)* is appropriate.

7 2018/19 Annual Report

Adopted by Council 10 December 2019.

Action: Heidi to investigate page 26 of the financials in the 2018/19 Annual Report 'other reserves' – what is it and why is it there?

The Panel noted the 2018/19 Annual Report at the December 2019 meeting and Gerald Willis queried 'other reserves' on Page 26 of the financials – what is it and why is it there?

Heidi Marshall provided the following response from Council's Accounting Consultant to the Gerald's question:

“As can be seen on the balance sheet in the financial statements, \$17,505,000 of equity is ear marked as reserves. Note 9.1, on page 26, breaks this down further:

\$13,221,000 relates to movements in asset revaluations

\$491,000 relates to the movement in valuation of the investment in TasWater

\$3,793,000 relates to other reserves

Other reserves are “normally” cash backed reserves that Council has decided to quarantine funds for future works/asset replacement. It is simply a “book entry” between retained earnings in equity and a specific reserve in equity. It can be used as a tool for councils to help it quarantine funds for future works (or liabilities) like replacing plant, upgrading the airport or roads so that it doesn't accidentally get spent in other areas. In the “other reserves” for Flinders Council is the balance of the Gunn Bequest, \$107k, and the balance \$3,686k has always been labelled as a general reserve. Apart from using this to fund some plant replacement in 2017, this reserve has not been maintained with any transfers in or out in the last 5 years, there is no current policy, nor has it been part of the budget process or long term financial plan in recent years. Given that Council has a long-term financial plan including cashflow forecast which identifies how projects are going to be funded, this reserve seems to have become redundant and is not representative of cash held for a specific future purpose. Until Council is in a position to fund its annual depreciation it is not in a position to put excess funds into reserve.”

Heidi informed the Panel that this year the money will be moved back.

AGENDA ITEMS

8 Attendance at Meetings

Gerald Willis wishes to discuss who should attend meetings of the Audit Panel. As Gerald was unable to attend the meeting, this item will be held over until the next meeting.

Panel members present confirmed their agreement that the current arrangements, i.e. standing invitation to councillors to attend, is the correct approach. If required, a Panel in Camera session can be added after each meeting. Rules around discussion in Camera would need to be set.

9 General Manager's Update

Panel agreed to move this agenda item to the beginning of each meeting agenda as the information presented by the General Manager usually helps provide context to the Panel's discussions.

Warren Groves reported that he has been in the role for 6 weeks. Current focus is Council's response to COVID-19 and its potential health and financial impact on the Community. Staff are working with the Community and the State to develop appropriate protections for the Community. Information is changing daily. A meeting of the Municipal Emergency Management Committee has been called for this afternoon.

OTHER BUSINESS

10 Credit Card Audit

Diana Droog confirmed that she has audited all council credit card expenditure up to 31 December 2019 with no issues to report.

NEXT MEETING

Middle of May or early June

MEETING CLOSED 12.39pm

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.	
	General Manager to develop a statement of Council's risk appetite for Council adoption and add it to the Framework.	
2019.08.26	Mark to source work done by other organisations on risk appetite.	
2020.03.16	Mark to review draft workplan and bring a simplified version to the next meeting.	
2020.03.16	Vicki to check with LGAT to see if they are doing any work in cyber security area.	