

FLINDERS COUNCIL AUDIT PANEL UNCONFIRMED MINUTES

DATE: Monday 25 May 2020
VENUE: Carpet Room, FAEC, Whitemark & Zoom
COMMENCING: 10.15am

PRESENT

Mark Scanlon Chair (via phone)
 Diana Droog Member (via phone)
 Gerald Willis Member

APOLOGIES

Nil

ATTENDING

Warren Groves General Manager
 Heidi Marshall Finance Organisational Performance Manager
 Vicki Warden Executive Officer (minute taker)

GUESTS

Mayor Annie Revie

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 March 2020 are a true record.

CONFIRMED

CORRESPONDENCE IN:

Nil

CORRESPONDENCE OUT:

Nil

BUSINESS ARISING

1 Budget Movements

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

Heidi Marshall provided an overview of the 3rd Quarter financial report. Few variations were reported. Unable to predict until now the variations that are likely to happen as a result of COVID-19. There have been delays with grant bodies responding with information due to COVID-19. Expecting significant changes to the income stream because the grant monies for the runway project and the Telstra project are not expected to come through until after June, which will heavily distort year-end. This will make our underlying income look a lot worse. Majority of expenses will be close to projected figures with an expected \$6-7000 variation to expenditure.

Diana asked about timing implications due to COVID-19 and if the government would allow flexibility around meeting deadlines e.g. roads grants. Heidi replied that she will ask. There is no leeway for Telstra. The final milestone has been completed and auditing should be completed in two weeks' time. The government is the one delaying the finalisation of the airport grant. The bridging loan of \$1.8m, received in February, is helping cash flow until the grants are finalised. Will be applying for a 6 month extension for the Safe Harbour grant application and hopefully this will be favourably received.

Gerald asked if there was a balance sheet as at 9 March, for cash and liabilities. He keeps hearing that council has no money but sees no evidence of this. Heidi responded that for the last two years, a projected cash flow forecast has been provided for each budget which also shows projected debtors and creditors. Discussion ensued around allocation of labour costs between operational and capital expenditure.

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. The item will remain on the agenda.

3 Audit Panel Work Plan

Mark has commenced work on a draft workplan, appropriate to the size of the organisation, and will circulate it out of session.

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.

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

Vicki contacted LGAT and asked if they were doing any work in this area. LGAT has not done anything specific, but it was an issue that came out of their Digital Readiness Survey in late 2019. They are intending to look further at it when resources permit.

5 Risk Management Framework Update

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.

Mark has been working with another organisation on their risk appetite and will share this with the Panel when complete. Due to COVID-19, this work has been pushed back.

6 Review Delegations

The Panel has been asked by Council to undertake an annual review of a random selection of delegated activities and determine compliance with the relevant Act. To date one delegation has been reviewed. Panel to select another delegation/s to review.

As Council's Delegations are about to be reviewed, this action was postponed until next meeting.

7 Attendance at Meetings

Gerald Willis wished to discuss who should attend meetings of the Audit Panel at the previous meeting. As Gerald was unable to attend the meeting, the item was held over until this meeting.

Panel members present at the previous meeting 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.

Gerald pointed out the Panel is supposed to be independent and is charged with reviewing the performance of council. He therefore considers it inappropriate to invite councillors to attend.

Mark explained that he sees the Panel as an extension of the council, not a judge, observing only, with no authority. The Panel has previously agreed that the mayor and councillors will receive a standing invitation to attend meetings. Decisions are all made by the Panel, not the councillors.

A Panel in Camera session will be added at the end of each meeting to discuss issues arising.

AGENDA ITEMS

8 Credit Card Audit

Gerald undertook the quarterly credit card audit due to Diana's inability to attend the Island. Gerald reported that the credit cards were audited up to 31 March 2020 with nothing to report.

OTHER BUSINESS

Other Reserves – 2018/19 Annual Report

Gerald thanked Heidi for her response at the previous meeting regarding the other reserves listed in the Annual report financials. He identified the following four reserves that he believed council did not need:

- \$527,500 cash reserve given when the government gave the airport to council
- \$16,000 reserved when the redevelopment of Whitemark hall occurred
- \$50,000 for infrastructure a long time ago
- \$1.435m diminishing asset reserve

Heidi replied these were once used as a way to manage cash flows. Money was put aside so it wasn't used for other things. However, none of these are real as there is no cash backing them and there are no movement in the accounts. The only way to get rid of them is a decision of council to move it back at the end of the year. Heidi will be discussing these reserves with the external auditors and gain council's approval to reallocate them.

The Panel recommended that these reserves be cleared out at year end.

IN CAMERA SESSION

Meeting of Panel members only.

NEXT MEETING

MEETING CLOSED

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.	
2020.03.16	Mark to review draft workplan and bring a simplified version to the next meeting.	
	Mark to provide examples of risk appetite from other organisations.	