

# FLINDERS COUNCIL AUDIT PANEL UNCONFIRMED MINUTES

13.1.1 July 2021

**DATE:** 22 June 2021  
**VENUE:** Rose Garden Room  
**COMMENCING:** 11.04am

## PRESENT

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

## APOLOGIES

Jeff Tong Tasmanian Audit Office

## ATTENDING

Lyndall Kimpton (via Zoom) (11.04 - 11:15 am)  
 Jan Lynch Tasmanian Audit Office (via Zoom) (11.04 - 11:15 am)  
 Mayor Annie Revie Guest  
 Warren Groves General Manager  
 Heidi Marshall Finance Organisational Performance Manager  
 Rowena Nicholls Administrative Services Officer (minute taker)

## Note:

Council Elected Members Standing invitation as observers

## 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
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### CONFIRMATION OF PREVIOUS MINUTES

Confirmed that the minutes from the meeting held on the 22 March 2021 are a true record.

*Attachment 1: Unconfirmed Minutes 22 March 2021 Meeting*

### CORRESPONDENCE IN:

Nil

### CORRESPONDENCE OUT:

Nil

### BUSINESS ARISING

#### 1 Annual Audit

Preliminary Audit conducted in May 2021 for year end June 2021.

Roads to Recovery auditors will be changing this year to an external provider. Tasmanian Audit Office advised they have selected Ruddicks.

Business Continuity Plan still needs to be updated, after Audit Office identified this last year. The Audit Office will be expecting the Plan at the final visit 26<sup>th</sup> August 2021.

Lyndal Kimpton from the Tasmanian Audit Office – presented the audit strategy to the audit panel the draft version from 23<sup>rd</sup> April was forwarded to Council and circulated by email during the meeting. A copy is attached to these minutes.

Audit Strategy outlines what the Audit Office are intending to do and details their understanding of Council. Audit Strategy will be issued as final after presented to the Audit Panel meeting today.

Key risks they will be looking at:

- Plant and Equipment value
- Complex areas like Airport, Roads and Bridges.
- Valuation of Depreciation and establishing consistency
- Ensuring Useful Economic Lives
- Looking at Capital Expenditure
- Revenue Recognition
- Rehabilitation provisions, e.g Tip and Quarry, making sure they are relevant and consistent
- Employee benefit provisions

#### 2 Financial Reports

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.

*Attachments: 1.1 Fees & Charges Schedule 2021/22  
1.2 Rates Summary 2021/22  
1.3 Budget Estimates 2021/22*

*1.4 Long-Term Financial and Asset Management Plan and Strategy and Asset Management Policy Draft 1 (LTFAMPS)*

Panel notes these attachments. These have been produced after four workshops with councillors with the vast majority of research conducted by Heidi.

Rates increase by 7% then 8.5% following two years.

Budgeted for deficit, and it will be there for the next ten yrs, based on cash constraints. Council to work with State and Federal Government to secure funding.

Grants are operational. Grants do not affect Underlying Surplus of negative 25% and in 10 yrs negative 13%, as there are an equal debits and credits.

Long-Term Financial Management Plan and Strategy has not included the Flinders Island Marine and Safe Harbour and Palana Rd reconstruction as money is not guaranteed. This document is reviewed every four years and checked to see if it's in alignment with Councils' operations and strategies and to see if there are amendments required.

Diana and Mark commended Heidi and the Finance Department on LTFAMPS and policy.

Mark commented the assumptions are realistic and using a conservative CPI of 3%, he was satisfied the assumptions that underly the plans and the conservative view taken, he acknowledged how challenging it is to project out ten years.

Maintenance on reconstructed Palana Road will become State Growth responsibility if they take it over. The Minister is aware of Councils intention to have road owned by State Growth, once the road is to their standard. The process is unknown in how easy or hard it may be, Politicians are aware of Councils intention. The project is listed in Councils June 2021 Priority Projects.

Diana asked - Does Council know how much of Council rate base is subject to land tax and owned by off island residents?

Heidi responded - Council has those metrics and can calculate this from the rate data, and this could be used as a way to lobby in the future.

Diana asked – Can we charge higher rates on accommodation properties listed on Air BnB?

Response: - Many properties listed on Air BnB are considered residential, so Council cannot rate them higher to charge more. There is no mechanism for this to segment out.

Diana asked – Can Council get State authorities to look at this?. As it is a business arrangement. Gerry commented – Properties used for Air BnB may affect the 2021 Census, and this data could pick up how many properties are used in this way.

Diana asked – Does Council look at other economic factors when developing the Long-Term Plans, such as TasWater, TasPorts, Hydro when they undertake large infrastructure projects, that tend to affect council operations as well? LTFAMPS states limited impact from these large infrastructure projects, does council have ways of dealing with these effects on Council and do Council ask what future plans the organisations have?

Response: - The effects are not considered as Council cannot predict what other organisations are doing in the future. Council is too small a resource to consider these potential unknowns. Hard to predict the next five years. COVID has created so many extra costs, and costs keep rising due to COVID.

Mark commented – Other Councils had an extra budget put aside to deal with COVID, contractor shortages, no access to trades has meant extending the lifetime of some projects. Flinders is not alone in facing these challenges. Everybody competing for a finite number of resources, you either wait or pay more. This is a widespread issue in Tasmania. Diana confirmed the same situation in

Victoria. Heidi expressed spending grant money was difficult as plumbers and builders are in demand.

TasWater have communicated their project plans well and are keeping Council in loop. The Safe Harbour expression of interest will go out shortly. Considering working with existing contractors on island already. Recently it has been challenging to secure two or three tenders for a job. Suppliers have the power to set price. Council is continuing to work with TasPorts.

### **3 Policy Review**

Nil

### **4 Audit Panel Work Plan**

Nil

### **5 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.

The threat of hackers is very real with another organisation having to shutdown has they had been breached, decision to keep this issue on Agenda as it's a constant concern.

January 2021 Council changed IT provider to Techquity. Work will commence later in the year to address the cloud platform of sharepoint. Council has identified the current network has issues and there is a need to rebuild the integrity around our foundation to maintain security. Question was posed regarding the understanding of Xero and the current system. The response being the system is in a worse state than expected, bandaid fixes have been going on for 14 years and Council have many software programs that operate with multiple hardware issues. The filing system was moved into the Cloud two years ago and now we need to take a back step and return to a virtual server to clean up files before we move back into the cloud. Long-term solution is to rebuild hardware and take a strategic view of what software to implement to provide better integration and security. Looking at a four year timeline to completely overhaul the system.

### **6 Risk Management Framework Update**

*Previous discussions*

*"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 previously provided Council with a confidential example of a risk appetite from another organisation. Council reviewed the example at a workshop in August and discussed a way forward. Further work is required."*

Requirement: Discussion around what work is required on Council Risk Management Framework.

Mark to resend the document provided.

In terms of what was outstanding, audit panel wants a statement of risk appetite for framework. Council risk appetite, how much risk are they prepared to accept? Decide on risk approach. Then use this document to potentially help reduce insurance premiums.

For the future the Insurer has suggested council may have to reduce what they insure possibly by 50% to reduce premiums. This would need to go to a Council Meeting and assess risks and needs of council.

More information about what is required to close this off.

## 7 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. At the December 2019 meeting, the Panel agreed on the following process to undertake the review:

- Panel selects a number of delegations listed in Council's Instrument of Delegation e.g. section 24(2) Building Act 2016, Compliance Officer.
- At the following Panel meeting, the General Manager provides details on the training undertaken by the person with the delegated authority, to enable them to undertake the delegation, e.g. Training undertaken by the Compliance Officer to enable them to comply with the provisions of section 24(2) – act as a Permit Authority, in accordance with the *Building Act 2016*.
- Panel to assess information provided and determine compliance with the relevant Act and relevant delegation.

To date one delegation has been reviewed.

Section 76 Writing off Bad Debts was reviewed in March 2021. Rowena to reformat the Policy and edit bit about companies change to organisations then send to audit panel, before bringing back to a Council Meeting for adoption.

Audit panel to go back to instrument of delegation and decide what to review for next meeting.

## AGENDA ITEMS

### 8 Credit Card Audit

Diana Droog to provide an update on the quarterly credit card audit. She has done review up to 31<sup>st</sup> of May 2021.

Small credit limits were discussed and as they operationally restrictive. Review of the credit card policy was needed.

### 9 Annual Plan

*Attachment: 9.1 Annual Plan 2021-22*

Annual plan is on the Council website, staff and Council were commended, the Annual Plan is in line with the 2031-2031 Strategic Plan, with links made obvious through colour coding. Council is planning a forum with Community to help them understand what council is doing and planning. Community must be pleased to know what is going on.

### 10 Amendments to Local Government Act

Talk has gone quiet regarding amendments possibly due to the election. No further information is available at present, there was a workshop about the Audit Panel making public comment about

rate increases. Audit Panel members not comfortable with this and would need to employ a consultant to assist with this, at an extra cost. Taking responsibility away from the Tasmania economic regulator and giving it to audit panel was not favoured.

Gerry Willis had drafted a paper go to government, discussion needed on what else to include. Mark to relook at paper and report back next meeting. Suggest the panel discuss it between themselves. Rowena to organise a zoom meeting for panel. Diana commended Gerry work.

## 11 Terms of Reference – item 4 Membership Review

*Attachment: 12.1 Terms of Reference Audit Panel*

Council have not reviewed membership, need to review the Audit Panel Charter. Charter needs to be updated in line with practise guide. A small council needs to be practical about what it applies.

## OTHER BUSINESS

Heidi contacted Marissa Walters regarding signing off on Management Certificate of the Financial Report. Subcontractor delegated to prepare report and sign on Council behalf. Ruddicks have not questioned this in the 4 years Marissa has been doing council reports.

## NEXT MEETING

28<sup>th</sup> September 2021

## IN CAMERA SESSION

Meeting of Panel members only.

Not necessary

## MEETING CLOSED 12:35pm

## ACTION LIST

Meeting	Action	Progress
2019.01.29	General Manager to develop a statement of Council's risk appetite for Council adoption and add it to the Framework.	Work has commenced.
2021.03.22	Heidi to contact Marissa Walters regarding signing off on Management Certificate of the Financial Report.	See email response
	Mark to provide proposed changes regarding Audit Panel regulation.	
	Diana Droog to draft letter to regarding Audit Panel regulation changes.	
2021.06.22	Mark to resend risk appetite document	
	Rowena to send out reformatted Writing off Bad Debt Policy	

Meeting	Action	Progress
	Mark to look at paper prepared by Gerry and report back in meeting of just audit panel. Rowena to arrange zoom meeting.	