

George Town Council

Annual report to the Council of the Audit Panel

This report explains how the Audit Panel discharged their responsibilities during 2016-17. The report also outlines the Panel's plan for 2017-18.

The key purpose of this report is to:--

- achieve greater awareness of the purpose, role and objectives of the Audit Panel;
- outline the outcomes achieved by the Panel; and
- provide council with information on the future objectives of the Panel.

The Audit Panel comprises three members, two Councillors (Councillor John Glisson for the whole of the year plus Councillor Peter Parkes and Councillor Heather Barwick for part of the year) and one independent Chairman (Steven Hernyk). All Panel members were originally appointed for two years and during this year Councillor Heather Barwick was replaced with Councillor Peter Parkes. Councillor Dawson was elected as a Proxy for Councillor Panel Members in March 2017.

The objective of the Audit Panel is to review Council's performance under section 85A of the Act. In particular, the Panel must review:

- the Council's financial system, financial governance arrangements and financial management
- all plans of the Council (including strategic, financial management, and asset management plans)
- the accounting, internal control, anti-fraud and anti-corruption, risk managed policies, systems and controls that the Council has in place to safeguard its long-term financial position; and
- any other matters specified in an order under section 85B of the Act.

These functions are set out in detail in the Audit Panel Charter that was adopted by the Council in December 2014 and amended consequent to a review with the Council starting the revised Charter in August 2016.

Council's external auditor, the Tasmanian Audit Office (TAO), attended meetings with the Panel and separately with the Chairman during the year. The Audit Panel considered all reports from the TAO on their activities undertaken in reviewing and auditing the internal control environment. The independent audit of the financial statements of the Council for 2016 was reviewed by the Audit Panel.

Key Activities in 2016-17

Audit Panel:

- Developed and approved the panel's annual work plan for 2016-17
- Reviewed the external audit strategy for financial year 2016-17
- Reviewed the accounting policies and draft financial report for 2015-16
- Monitored and evaluated the effectiveness of Council's risk management processes and controls, including a review of the insurance portfolio
- Received regulatory updates to maintain current knowledge of contemporary governance practice and legislative requirements
- The Chairman attend external seminars on governance and audit presented by the Tasmanian Audit Office and LGAT
- The Chairman convened a meeting of other Audit Panel Chairman in Northern Tasmania to discuss issues that existed and best practice matters.

Program for 2017-18

Recently the Audit Panel reviewed its work program for 2017-18. The program is based on the functions listed in the charter and on priorities drawn from Council's Annual Plan. Key functions for the year ahead include:

- Monitor Council's risk management processes and controls
- Monitor the 2017-18 external audit process and the internal audit work program
- Review the financial statements and accounting policies for the financial year 2016-17
- Evaluate the performance of external auditors

Other Matters

1. Internal audit resources have moved a quantum step forward during the year with the identification of auditable areas and a plan to conduct internal audit activity in the upcoming 2017-18 financial year.

But with LGAT highlighting in the past year the need to enhance internal audit activity and the Tasmanian Audit Office raising in his report to Parliament the functionality of the Internal Audit, I consider that Council should be enhancing Internal Audit activity.

Council should have an Internal Audit function for the following reasons:-

- it supports good governance
- to ensure consistency with its peers
- to improve the effectiveness of risk management, control and governance processes
- helps instil public confidence in Council's ability to operate effectively

With the Internal Audit function, Council should consider the following issues:

- the need to extend Council's understanding of risk management beyond traditional area of public liability and workplace health and safety into areas such as internal governance, fraud risk and broader regulatory risk.
- whether it is feasible for Council to pool resources with like Councils for internal audit services
- whether single management teams can feasibly conduct audits or internal reviews with an appropriate degree of independence and objectivity
- how Council can properly resource internal audit and internal control programmes.

The Tasmanian Audit Office has highlighted some of the above issues indicating that utilising internal resources for internal audit is a starting point but utilising an external provider would clearly improve functionality.

I am cognisant that the Council is not of a scale to resource a best practice independent internal audit function but there is room to enhance functionality without a heavy cost burden.

I recommend to Council that the "Audit Panel Working Group", comprising representatives from Meander Valley, West Tamar, Georgetown and the Break O'Day Councils, convene to consider engaging jointly an external provider who can implement a strategically focussed internal audit work plan for use by the Councils that also have developed work programmes. It need not be the intent to outsource the internal audit function merely utilise an expert to put in place a structure for internal audit activity but the "Audit Panel Work Group" could make a recommendation on what parts warrant outsourcing such as technical audits like IT reviews

It is clear that internal audit will add value through:-

- Assurance
 - * assuring the adequateness and effectiveness of the internal control system
 - * assuring Councils' risk management processes
 - * assuring regulatory compliance
 - * assuring Council's governance process
- Objective advice activities
 - * informing and advising management
 - * investigating or deterring fraud
 - * informing and advising the Audit Panel
- Insight activities
 - * recommending business improvement
 - * identifying emerging risks

The Audit Panel is charged with dealing with many matters but without a robust internal audit function its ability to fulfil its responsibilities is restricted. I commend to Council increasing the Internal Audit functionality.

2. During the year the "Audit Panel Work Group" met to review the Audit Panel Charter (following the Panel's own review) and recommended some minor changes. Council is yet to adopted the amendments.
3. Attached to this report is the proposed work plan of the Audit Panel for the next twelve months for approval by Council. The Audit Panels meeting in June 2017 recommended this work plan to Council for approval.
4. The panel conducted a performance review during the year and identified areas where the Panel believe improvement could be achieved. The Panel will develop an action plan over the next six months to address the matters highlighted in the review.

Attendance record

The audit panel had an agreed schedule of meetings

	Possible	Actual
Steven Hernyk	4	4
John Glisson	4	4
Peter Parkes	2	2
Heather Barwick	2	2

I commend my fellow Panel members for their contributions and thanks also to the management team who support the Audit Panel.

Steven Hernyk
Chairperson
Audit Panel