

## George Town Council

### Annual report to the Council of the Audit Panel

This report explains how the Audit Panel discharged their responsibilities during 2018-19. The report also outlines the Panel's plan for 2019-20.

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, one independent Chairman, Steven Herynk and two Councillors.

The Councillors were Councillor Heather Barwick, Councillor John Glisson (pre 2018 Municipal Elections), Councillor Greg Kieser (post 2018 Municipal Elections). Councillors Greg Dawson and Andrew Michieletto were the alternates.

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 in November 2018.

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 Audit Panel reviewed the independent audit of the financial statements of the Council for 2018.

### Key Activities in 2018-19

Audit Panel:

- Developed and approved the panel's annual work plan for 2018-19
- Reviewed the external audit strategy for financial year 2018-19
- Reviewed the accounting policies and draft financial report for 2017-18
- Monitored 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. Other Panel Members attended an LGAT seminar.
- The Chairman convened a meeting of other Audit Panel Chairman in Northern Tasmania to discuss issues that existed and best practice matters. This year the Director of Local Government and a representative Chairman from Southern Tasmania were invited to attend.

## Program for 2019-20

Recently the Audit Panel reviewed its work program for 2019-20. 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 2019-20 external audit process and the internal audit work program
- Review the financial statements and accounting policies for the financial year 2018-19
- Evaluate the performance of external auditors

Given the maturity of the Panel, some functions that were being addressed at each meeting have been re-scheduled to now occur only once or twice a year e.g. the review of the Council Annual Plan.

## Other Matters

### 1. Local Government Act

Arising from amendments to the Local Government Act 1993, Local Government Audit Panel Guidelines were revised by the Local Government Division of the Department of Premier and Cabinet in collaboration with The Tasmanian Audit office and the Local Government Association of Tasmania.

In addition to the issuance of these guidelines, a "Model Code of Conduct for Members of the Audit Panel" issued and a "Model Audit Panel Charter" was revised to reflect all additional material in the guidelines.

I Recommend, that the "Audit Panel Working Group" comprising representatives from George Town, Meander Valley, West Tamar and the Break O'Day Councils convene a meeting to consider making changes to the Audit Panel Charter and I put forward recommendations for changes.

Following that meeting, George Town Council in November 2018, endorsed changes and a revised Charter with a Code of Conduct (as an annexure to the Charter) was adopted.

### 2. Internal Audit

It has been very disappointing that internal audit activity has not progressed to the level required for the past year.

A significant effort needs to be directed at this area of activity to enable Management and the Council to have greater assurance that there is compliance with policy procedure and internal control.

The Audit Panel, is charged with dealing with many matters but without a robust internal audit function, its ability to fulfil its responsibilities is very much restricted.

At our April meeting, it was pleasing to have Management commit to Council increasing the Internal Audit functionality for the coming year and commit to budgeting for this including a partial outsourcing of the Internal Audit.

### 3. Risk and control framework

Whilst Council, has a "Risk Register", it is many years since a robust risk assessment has occurred rather Management has utilised half yearly Team Leader meetings to review the Register. The Audit Panel has identified that "Risk Treatment Plans" for the higher risks warrant better monitoring and I consider it may be useful to have a fresh and clean slate approach to identification of risk in Council.

Whilst fraud via the Information Technology platform is flagged by Council as a "medium" risk, the recent acceleration of "Cyber" fraud now makes it a "Whole of Business" risk management issue.

"Data fraud or theft" and "Cyber-attacks" are ranked 4 and 5 in the 2019 World Economic Forum of Global Risks. The Tasmanian State Government have elevated management of these risks and so should Local Government.

I recommend to Council to put in place a new Cyber Security Policy.

### 4. Audit Panel Work Plan for 2019-20

Attached to this report is the proposed work plan of the Audit Panel for the next twelve months for approval by Council. The Audit Panel's meeting in June 2019 recommended this work plan to Council for approval.

### 5. Performance Review of the Panel.

The panel conducted a performance review at the end of last year and identified areas where the Panel believe improvement could be achieved. The Panel developed an action plan and addressed the matters highlighted in the review.

## Attendance record

The audit panel meeting and attendance record was: -

	Possible	Actual
Steven Hernyk	4	4
John Glisson	1	1
Heather Barwick	4	4
Greg Kieser	3	3

I commend my fellow Panel members for their contributions, also thanks to the Management team who, in a difficult year of management changes, provided support the Audit Panel.

**Steven Hernyk**

Chairperson  
Audit Panel