

## George Town Council

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

This report explains how the Audit Panel discharged their responsibilities during 2017-18. The report also outlines the Panel's plan for 2018-19.

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 and Councillor Peter Parkes (Councillor Greg Dawson also acted as an alternate) and one independent Chairman, Steven Hernyk.

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.

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 2017 was reviewed by the Audit Panel.

### Key Activities in 2017-18

Audit Panel:

- Developed and approved the panel's annual work plan for 2017-18
- Reviewed the external audit strategy for financial year 2017-18
- Reviewed the accounting policies and draft financial report for 2016-17
- 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 2018-19

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 2018-19 external audit process and the internal audit work program
- Review the financial statements and accounting policies for the financial year 2017-18
- 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 have been 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 to consider making changes to the Audit Panel Charter.

The following are my suggested changes for consideration by the "Audit Panel Working Group" and then by Council: -

- Composition and tenure - adopt the guideline suggested changes around eligibility of "a Commissioner" "Officers of Council", or "Officers or Councillors of Other councils"
- Functions - provide the additional function recommended in the guidelines of other activities within the Panel's remit
- Key Areas - expand these to cover "systems of internal control", risk management framework and procurement
- Reporting - include the suggested "Annual Report to the Council" matters
- Resources - provide for the suggested matters in the revised guidelines
- Interests - provide for Audit Panel Members to notify the General Manager in writing of the interest within seven days of declaring the interests
- Confidentiality - adopt the guideline recommendation
- Code of Conduct - adopt the guideline recommendation and also the suggested "Model Code of Conduct for Members of the Audit Panel" to be adopted and form an annexure to the Charter
- Review of Charter - I suggest that this be amended to a biannual review rather than annually as is the case now and it be required to be submitted to Council

## 2. Internal Audit

Due to the organisational restructure, 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 restricted. I commend to Council increasing the Internal Audit functionality.

## 3. Audit Panel Work Plan for 2018-19

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 2018 recommended this work plan to Council for approval.

## 4. 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	4	4
Peter Parkes	3	3
Greg Dawson	1	1

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

Steven Hernyk  
Chairperson  
Audit Panel