

**GLENORCHY CITY COUNCIL
AUDIT PANEL REPORT 2020-21**

BACKGROUND / INTRODUCTION

Glenorchy City Council's Audit Panel was formally established by a decision of Council. The operation of the Panel is guided by Council's Audit Panel Charter which is based on the requirements of the Local Government (Audit Panels) Order issued by the Minister for Local Government under section 85B (1) of the Local Government Act 1993.

The Minister for Local Government wrote to Council in December 2019 accepting that Council had completed all Ministerial Directions, excepting Direction 7 which was the Direction requiring reporting to the Minister on progress against the Directions. Given this, the Minister requested that the requirement to report be amended to two annual reports covering the periods 1 October 2019 to 30 September 2020 and 1 October 2020 to 30 September 2021.

In June 2020 the General Manager and the Manager Corporate Governance met with officers of the Local Government Division and it was agreed that the Audit Panel Chair's annual report to Council would also be forwarded to the Minister (once approved by Council) in compliance of Council's annual reporting under Directive 7.

It is therefore anticipated that this report will constitute the final required report.

AUDIT PANEL MEMBERSHIP AND MEETINGS

Membership of the Audit Panel comprises two Aldermen and three independent members.

Aldermen Angela Ryan and Peter Bull represented Council on the Audit Panel for the 2020-2021 financial year.

During 2020-21 the independent members of the Panel were Mike Derbyshire (Chair), Michael Stevens, David Sales (term ended 31 December 2020), and Belinda Webster (appointed 1 January 2021). We would like to thank David for his valuable contribution to the Audit Panel over many years.

MEETINGS OF THE PANEL

The Panel met six times during the financial year ending 30 June 2021. In addition to Panel members, meetings were also attended by a range of Council staff including the General Manager, Director Corporate Services, Chief Financial Officer, Manager Corporate Governance, Manager ICT and Minutes Secretary (who acts as secretariat for the Panel).

Representatives from Council's Internal Auditors, WLF and Crowe Australasia, as well as representatives from the Tasmanian Audit Office (TAO) and Council's ICT Consultants, also attended Audit Panel meetings.

ROLE OF THE PANEL

The role of the Audit Panel is to support the elected Council by providing independent assurance and advice in relation to Council's financial reporting and controls, risk management framework and practices, internal controls, legislative compliance, long term planning, fraud control and corruption prevention. Its role is complemented by both internal and external auditors.

The main responsibilities of the Audit Panel include reviewing:

- whether the annual financial statements of the Council accurately represent the state of affairs of Council
- whether and how the Part 7 plans (these include the Strategic Plan, Long Term Financial Plan and Strategic Asset Management Plan) are integrated and the processes by which, and assumptions under which, those plans were prepared
- the accounting, internal control, anti-fraud, anticorruption and risk management policies, systems and controls that the Council has in relation to safeguarding its long-term financial position
- whether the Council is complying with the provisions of the Act and any other relevant legislation, and
- whether the Council has taken any action in relation to previous recommendations provided by the Audit Panel to the Council, and so, what that action was and its effectiveness.

In addition, as the result of a Ministerial Direction issued by the then Minister for Planning and Local Government, the Panel was directed by Council to review and report annually on compliance with a range of matters including Local Government legislation, Council policy, procedures and codes and Council's Statement of Expectations between Aldermen and the General Manager.

EXTERNAL AND INTERNAL AUDIT

External Audit

As legislated, Council's external audit service is provided by TAO, whose staff attended one Audit Panel meeting during the 2020-21 financial year. During this meeting, the Audit Panel and TAO officers discussed the 2020-21 Financial Year Audit Strategy and Plan and a review of key audit areas identified for the year.

In addition, outstanding audit recommendations from previous external audits were reviewed including findings from the 2019-2020 audit.

There are a total of three findings that needed to be addressed by Council. The Audit Panel will monitor progress on these matters during 2021-22.

Internal Audit

Internal audits support the work of Council and the Audit Panel by reviewing Council's systems and operations in accordance with an agreed internal audit plan. The plan is based on a risk management approach, is reviewed annually and can be altered should specific issues require attention.

These audits aim to identify how well risks are managed, whether the right processes are in place, whether agreed procedures are being followed and whether improvement can be made.

Recommendations to address issues or to adopt improvements are considered by Council's management. The final report reviewed by the Audit Panel and all recommendations are monitored by the Audit Panel at each ordinary meeting, to ensure they are implemented.

To discuss the progress of the internal audits undertaken during the year, senior staff from WLF and Crowe Australasia attended two meetings each.

Council approved the 2109 to 2022 internal audit program in October 2019. The internal audit program for 2020-21 included:

- Procurement Audit (Completed)
- Asset Management Maturity Audit (Completed)
- Complaints Management (Completed)
- Contract Management Fraud Risk Assessment (Completed)
- Financial Sustainability including the Long Term Financial Management Plan (Completed)
- Business Continuity (Completed)

Audit findings reports were received from WLF for the Procurement Audit in September 2020, the Asset Management Maturity Audit in November 2020 and the Complaints Management Audit in February 2021. All identified risks were included in Council's risk register and audit actions register. The final report for the Contract Management Fraud Risk Assessment is pending.

Audit findings reports were received from Crowe Australasia for the Financial Sustainability Audit in February 2021 and the Business Continuity Audit in July 2021. All identified risks were included in Council's risk register and audit actions register.

The Audit Panel regularly monitors progress with adopted audit recommendations. As at June 2021 there were 16 recommendations outstanding of which 4 related to areas identified as being of high, significant or notable risk. This compares to the situation in June 2020 when there were 19 recommendations still to be finalised including 6 recommendations that related to areas identified as being high, significant or notable risk.

While there is some difficulty in comparing year on year progress, as new audit recommendations are added and completed recommendations are removed, the Audit Panel is pleased to note the significant progress that has been made by Council during the year in addressing outstanding audit recommendations and look forward to further progress in 2021-22.

The Panel would like to acknowledge the funding that was provided in 2020-21 budget by Council to enable the implementation of internal audit recommendations.

OTHER PANEL ACTIVITIES DURING THE REPORTING PERIOD

During the year under review the Audit Panel:

- monitored the roll-out of the legislative compliance process
- monitored and reviewed the Compliance Status Summary Report which records the status of Council's compliance with regulatory obligations on an ongoing basis
- finalised the internal audit program for 2020-21
- received and noted Council's annual update of the Fraud Control and Corruption Prevention Plan.
- continued to review and advocate for implementation of outstanding audit recommendations
- received an update on Council's revised Risk Management Directive, Risk Management Process and Project Risk Management Process (including the Risk Management Dashboard)
- received a report on Council's delegations update
- received and reviewed a report on the 2020-21 budget estimates
- reviewed and endorsed the Financial Statements for financial year ending June 2020

- met with TAO to discuss the 2019-20 audit and any issues that arose and recommendations made
- oversaw the 2020-21 External Audit planning process
- received and noted the draft Code for Tenders and Contracts 2020-2024
- received a presentation on the ICT Security Policy and Acceptable Use Guidelines completing the outstanding findings of the 2017 ICT Security Audit
- received Council's revised Risk Appetite Statement and the updated Strategic Risk Register Dashboard
- received a presentation and update on Council's core systems review project
- received a report on the Business Continuity Policy and Framework, including considerations in response to the Covid-19 threat
- received an update on the Workplace Health and Safety Committee and reviewed the minutes of their monthly meetings
- regularly reviewed and commented on General Manager's Quarterly Report information and issues raised by this information, as well as periodic Financial Performance Reports
- reviewed quarterly status updates on Significant Risk, Insurance and Legal Matters
- received information about the renewal of Council's insurances for both 2020-21 and 2021-22 including proposed changes in insurance coverage for some items in 2021-22
- reviewed credit card expenditure incurred by Council's General Manager

Audit Panel members also attend Audit Panel workshops when conducted by the Local Government Association and meetings of the Southern Region Council Audit Panel Chairs. In addition, Audit Panel members may attend Council workshops over the course of the year where relevant.

The Audit Panel conducted its biennial self-assessment which took the form of a detailed survey. It was pleasing to note that there were no unsatisfactory ratings. Following the assessment, it was decided to request an informal meeting to introduce the Audit Panel to Councillors and provide a summary of the Panel's activities. This meeting was held in April 2021, and it was agreed that the Audit Panel Chair would be a contact point for Aldermen who wish to bring matters to the Audit Panel's attention.

MINISTERIAL DIRECTIONS PROGRESS REPORT

The Panel is pleased to confirm that Council completed all the 2018 Ministerial Directions in the 2019-20 year, except for Direction 5(b). Direction 5(b) requires the Audit Panel to undertake an annual review Council's compliance with the Local Government Act, various regulations, codes, policies and procedures.

No recurrence of any of the matters identified in the Ministerial Directions has been identified by the Audit Panel.

The Panel can confirm ongoing compliance with Ministerial Direction 5(b) and that all items identified are included in the Audit Panel's Annual Work Plan.

Mike Derbyshire
Chair, Audit Panel
August 2021