

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

1. PRESENT:

Members: Rosanne Kava – Independent Chairperson; Cr German Ugarte; Cr Jeff Mannix; Sandra Gordon – Independent Local Government Specialist (Murray River Council).

Ex-Officio: Michael Kitzelmann – General Manager, Ray Davy – Director of Infrastructure Development, Phil Ruddick – HR & Governance Coordinator, Kris Kershaw - Finance Manager (video conference)

Invited guests: Keith Coates – Internal Audit Service Provider (video conference), David Nolan – NSW Audit Office External Audit Partner (video conference).

Secretariat: Carol Holmes – Senior Executive Assistant

Apologies were received from: Cr Alan Purtill, Terri Bilske - Director Corporate & Community Services and Simon Rule Independent Local Government Finance Specialist (Wentworth Shire Council).

1. OPEN AND WELCOME:

The Chair welcomed the Committee and opened the meeting at 12noon

2. CONFLICT OF INTEREST:

No conflicts of interest were declared.

3. MINUTES of 6th December 2018

MOVED by: Cr German Ugarte and SECONDED by: Sandra Gordon

That the Committee endorse the draft minutes from its meeting on 6th December 2018.

CARRIED

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

4. ACTIONS OF LAST MEETING

Mr Kitzelmann updated the Committee on progress of the Action List.

1. All staff workshop has been scheduled for 15 April 2019 to include staff training.
2. Audit Committee training for Fraud Control to be held off until OLG have completed the Audit Committee structure review.

Report:

That the Audit Committee,

1. Note the Actions from the Previous Meetings

Attachments:

- Action Table,
- Standing Items,
- Performance Improvement Order Update, and
- Audit Recommendations (Internal Auditor/ External Auditor).

That the Committee Note the Actions of Previous Meeting

MOVED by: Cr German Ugarte and SECONDED by: Sandra Gordon Cr Jeff Mannix

CARRIED.

5. ANNUAL FINANCIAL STATEMENTS

Recommendation :

That the Audit Committee,

1. Note the following Attachments

Attachments:

- Draft Annual Engagement Plan (AEP)
- 17/18 Report and Management letter

That the Committee Note the Annual Financial Statement Report

MOVED by: Cr German Ugarte and SECONDED by: Sandra Gordon

CARRIED.

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING

12 noon THURSDAY 21st March 2019

COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

Mr David Nolan provided an update on the letters attached to agenda from Audit Office.

Summary of Issues					
Issue	Detail	Likelihood	Consequence	Risk Assessment	
1	Completeness of Revenue – Caravan Park (repeat issue)	Almost Certain	• High	High	No information on timeframe for completion
2	Revaluation of infrastructure property, plant and equipment	Almost Certain	High	High	Asset Management review in place and due by end of June 2019
3	Approval for Termination Payout	Likely	High	High	Council exploring financial and operational delegations and the appropriate staff members of signing of letters
4	Procurement Procedures Manual	Possible	High	High	Procurement Policy Manual to be put in place, Michael discussed update4s and advised training is to be implemented. It was suggested to ensure there is a paper trail of quotes and correspondence for purchases.
5	IT Audit Logs of privileged users not kept	Possible	Medium	High	Audit logs have been missed and will need to be put in place. IT provider is aware and has been requested to install the software in our computer system.
6	IT – Change Management Policy	Possible	Medium	Moderate	Noted
7	IT – Inadequate Reporting of IT Risks	Almost Certain	Medium	Moderate	Noted
8	Expense Recorded inclusive of GST	Likely	Medium	Moderate	Noted
9	Access to ATO Portal	Likely	Medium	Moderate	Noted
10	Annual Leave Forms (Repeat Issue)	Likely	Medium	Moderate	Implementing of changes in procedures to ensure leave balances are correct. Mr Kris Kershaw will commence an audit of leave balances in the next month. A full payroll review is currently taking place.
11	IT – Password configuration Management	Likely	Medium	Moderate	Noted.

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

The committee noted 11 issues raised by Audit Office as outlined in the letter.

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

Mr Ray Davy highlighted a potential risk in relation to the number and value of grants being approved for infrastructure and capital works projects where Council's limited resources and technical project management expertise may place projects at risk of not being finalised within the funding guidelines.

Cr German Ugarte left the meeting at 1.02pm due to prior engagement. The Chair thanked Cr Ugarte for his participation.

6. Update on Performance Improvement Order

Reporting Officer: General Manager

Report:

General Manager

- Verbal update
- Ongoing items listed in the Actions Table

Michael Kitzelmann provided an update on the Performance Improvement Order.

That the Committee Note the Update on Performance Improvement Order

MOVED by: Cr Jeff Mannix and SECONDED by: Sandra Gordon

Noted

7. Strategic Internal Audit Reports

Procurement Audit Report

Mr Keith Coates provided an update on Strategic Internal Audit Plan and advised the committee that the compliance report will be completed and submitted to the next meeting^[MK1].

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING

12 noon THURSDAY 21st March 2019

COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

Balranald Shire Council Strategic Internal Audit Plan - 2018-19, 2019-20, 2020-21

Item No.	AUDITABLE AREAS	2018/19	2019/20	2020/21	Anticipated Time Frame	Key Audit theme	Risk Rating	Key Audit areas (Auditees)	Other key stakeholders	Comments / References
1 COMPLIANCE/INTERNAL CONTROL REVIEWS										
1.1	WHB	* Complete			2 weeks	Managing key risks, Insurance Coverage, Training	Very High	All Council Divisions	Executive, Audit Committee, Managers	Statutory, Policy and Best Practice
1.2	Risk Management Framework		* Complete		1.5 weeks	Best Practice, PPP Requirements and OLG IA Guidelines	High	All Council Divisions	Executive, Audit Committee, Managers	Testing Present Control Regime, OLG IA Guidelines
1.3	Contractor Management	* Complete			1.5 weeks	Compliance and Best Practice	Very High	All of Council	Executive, Audit Committee, Managers	Testing Regime
1.4	Human Resources		*		1.5 weeks	Best Practice, Managing key risks, compliance	High	HR, Corporate	Council, Executive, Audit Committee, Managers	Testing Present Control Regime, Legislative Compliance (LGA)
1.5	Records and Document Management			*	1.5 weeks	Best Practice, Managing key risks	High	All Council Divisions	Council, Executive, Audit Committee, Managers	Legislative Compliance and Controls
1.6	Governance	* Complete			2 weeks	Compliance and Best Practice	High	All Council Divisions	Executive, Audit Committee,	Legislation, OLG Best Practice, OLG Guidelines and Internal Policy
1.7	IP&R Framework		*		1.5 weeks	Compliance	High	All Council Divisions	Executive, Audit Committee, Elected Body	Legislation, OLG Guidelines
1.8	Cash Handling		*		1 week	Compliance	Very High	All of Council	Executive, Audit Committee, Elected Body	Testing Present Control Regime
1.9	Disaster Recovery Planning		*		1.5	Best Practice and Key risks	High	All of Council	Executive, Audit Committee,	Testing Present Control Regime
1.10	Delegations			*	1.5 weeks	Continuous Improvement, Managing key risks	High	All of Council	Executive, Audit Committee, Managers	Legislative Compliance and Testing Present Control Regime
1.11	Accounts Payable and Receivable		*		1.5 weeks	Continuous Improvement, Managing key risks	Very High	Corporate	Executive, Audit Committee, Managers	Testing Present Control Regime
1.12	Investments			*	1.5 weeks	Continuous Improvement, Managing key risks	High	Corporate	Executive, Audit Committee, Managers	Testing Present Control Regime and OLG Guidelines
1.13	Purchasing and Procurement		*		1.5 weeks	Compliance	Very High	All of Council	Executive, Audit Committee, Managers	Legislation and OLG Guides and Policy
1.14	Information Technology		*		1.5 weeks	Best Practice, Managing key risks	High	All of Council	Executive, Audit Committee, Managers	Testing Controls, Policy and Best Practice

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

Balranald Shire Council Strategic Internal Audit Plan - 2018-19, 2019-20, 2020-21

Item No.	AUDITABLE AREAS	2018/19	2019/20	2020/21	Anticipated Time Frame	Key Audit theme	Risk Rating	Key Auditable areas (Auditees)	Other key stakeholders	Comments / References
1.15	Development Assessment			*	1.5 weeks	Compliance	High	Planning	Executive, Audit Committee, Managers	Guides, Statutory Compliance and Policy
1.16	Development Control			*	1.5 weeks	Compliance, Managing key	High	Planning	Executive, Audit Committee,	Guides, Statutory Compliance
1.17	Property Services			*	1.5 weeks	Compliance	High	Corporate	Executive, Audit Committee	Guides, Statutory Compliance
1.18	Crown Land Management		*		1.5 weeks	Compliance	High	Planning	Executive, Audit Committee	Guides, Statutory Compliance
1.19	Project Management			*	1.5 weeks	Compliance and Best Practice	High	Operations	Executive, Community and Audit Committee	Guides, Control Testing and Compliance
1.20	Legislative Compliance	*			2.5 weeks	Compliance and Best Practice	Very High	All of Council	Executive, Audit Committee	Statutory Compliance and Policy
1.21	Store and Inventory Management		*		1.5 weeks	Compliance and Best Practice	High	Infrastructure and Operations	Executive, Audit Committee	Policy and Best Practice
1.22	Fraud Control	*			2 weeks	Best Practice, Risk Management	Very High	All of Council	Executive, Audit Committee	Guides, Statute and Best Practice
1.23	Emergency Planning and Management			*	1.5 weeks	Best Practice, Risk Management	High	All of Council	Executive, Audit Committee and Councillors	Guides, Statute and Best Practice
2	PROFESSIONAL PARTICIPATION									
2.1	Professional Development: Skills and Knowledge	NA	NA	NA						
2.2	Audit Planning/Risk Assessments and Creation of Audit Universe	Completed			1 weeks				Audit Committee	
3	PROVISION OF SPECIALISED ADVICE									
3.1	Governance Advice, Investigations and Code of Conduct Advice	As required								

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

8. WHS Environment

Reporting Officer: HR/Governance Coordinator

Recommendation :

That the Audit Committee

- Note the Quarterly WHS Report
- Note the WHS Update (February all staff meeting)
- Note the WHS Supervisor training.
- Note the Health Monitoring carried out.

Attachments:

- Quarterly WHS Report
- WHS Update (February all staff meeting)
- WHS Supervisor Training
- Dust Diseases schedule.

That the Committee Note the WHS Environment Report

MOVED by: Cr Jeff Mannix and SECONDED by: Sandra Gordon

CARRIED

Mr Phil Ruddick provided an update on the quarterly WH&S Management review. Detailed discussion was entered into in relation to the small number of incidences being reported and the cultural practices within the workplace not to report on near misses or minor occurrences. The Committee and Executive agreed that the culture needs to transition to a culture of reporting and that staff will be encouraged to report everything no matter how minor. In addition, it was agreed that a “No Blame” culture needs to be established to enable staff to feel safe in reporting incidents. Substantial improvement has been achieved in the workplace with the level of compliance and acceptance for WH&S. Mr Ruddick congratulated the staff on the progress made to date and emphasised the importance of continuing on the current path towards engendering a culture that embraces safety.

Training of staff to become more WH&S aware is ongoing with six (6) employees being identified to undertake WH&S Representative training. State Cover and JLT are working closely with Council to continue the development of systems to enable implementation and cultural change more efficiently.

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

9. WHS Review

Report:

Internal Auditor

- Governance

Attachments:

- Governance Audit Report

That the Committee Note the WHS Review Report

Mr Keith Coates gave us an update on this report and emphasised on the delegations recommendation^[MK2].

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

Overall Risk Rating	Governance Recommendations - Internal Audit
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Summary of Recommendations

Risk key:

1	Extreme	
2	High	
3	Medium	
4	Low	
5	Negligible	

Recommendation	Area	Recommendation	Priority	Management Response and Date Completed
IA Gov-1	CSP – Delivery Program	<p>The BSC Delivery Program 2017-2021 and the Operational Plan 2018-19.</p> <p>Many of the performance measures and the related timeframes within both documents state a timeframe of "ongoing". There are also a number of timeframes that state "TBA" (to be advised). Perhaps KPIs could be implemented that measure an activity in predetermined stages (where practicable), thus, allowing some measurement against the performance measure in question.</p> <p>Key Performance Indicators need to be established that accurately measure an activity in predetermined stages (where practicable).</p>	3	Management accepts the recommendation, the delivery program and CSP reviews are commencing July 2019. The recommendation will be included as part of this process.

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

IAGOV-2	CSP – Delivery Program	<p>The Operational Plan 2018/19, at CSP 5.3.2, that the timeframe for the Update of the Pedestrian Footpaths Policy and related report to Council has been left blank. This is despite the fact that it is listed for completion within the Delivery Program for 2018/19. I note that Council now has an officer within its structure who will be directly responsible for the IP&R process and documentation. This should greatly improve the process when undertaken in the future.</p> <p>As a major review is required for the CSP every four years (by 30 June in year following the local government elections), Council should ensure that these issues are addressed at the next review process.</p> <p>That Council ensure all activities within the Community and Strategic Plan include detailed reporting mechanisms to allow accurate reporting and management. Furthermore, each area within the plan be linked with the accountable department for transparency of reporting and delivery obligations.</p>	3	Management accepts the recommendation, the delivery program and CSP reviews are commencing July 2019. The recommendation will be included as part of this process.
IAGOV-3	Reporting	<p>BSC's General Manager provides progress reports on the delivery program in as required under section 404(5). However, evidence of the reporting process indicates that this is not always undertaken within the prescribed minimal 6-month period. Council should ensure that the reports are provided at least every 6 months to ensure full compliance with the Act.</p> <p>Council ensures that progress reporting for the BSC Delivery Program is provided at least every 6 months to ensure compliance with the Act.</p>	3	Management accepts the recommendation, reporting timeframes and obligations have been included in the meeting schedule and governance calendar to ensure compliance.

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

IAGOV-4	Annual Report	<p>The BSC 2017/18 Annual Report was subject to review and it appears to be compliant with the statutory and regulatory requirements other than containing a statement of Human Resources Activities. BSC should ensure future annual reports contain this information.</p> <p>That Council review all regulatory reporting requirements for the annual report and ensures that all elements are presented appropriately within the report.</p>	4	Management accepts the recommendation, reporting timeframes and obligations have been included in the meeting schedule and governance calendar to ensure compliance
IAGOV-5	Policy Review	<p>The vast majority of policy documents are due for review in February 2019.</p> <p>That Council review all policies against better practice guidelines and ensures a detailed policy register is developed to enable effective management and compliance with better practice standards.</p>	3	Management accepts the recommendation; a DRAFT policy register has been developed. Policy review is occurring on a priority basis to meet operational requirements.
IAGOV-6	Delegations	<p>The evidence provided to IA demonstrates that financial delegations (expenditure thresholds) were reviewed and approved by the GM in May 2018. However, the non-financial staff delegations were granted by the previous GM in July 2014. These delegations will continue operate until revoked (or amended) by the GM. However, they need urgent review to ensure they are still legally sound and match the current staff structure/position names and the present legislative requirements. BSC should undertake this task as a matter of some urgency.</p> <p>That Council undertakes a review of all delegations to align with the current organisational structure. Furthermore, these delegations should be scheduled for review on a twelve-monthly basis to align with the reporting timeframes for the annual report.</p>	2	Management accepts the recommendation. A DRAFT delegation register including financial, operational, local laws and authorised officer delegations has been included. This draft is programmed to be presented to the May Ordinary Meeting of Council.

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

IAGOV-7	Complaints Handling	<p>Council should utilise the example complaints handling policy that has been sourced from a neighbouring council. This policy covers the OLG best practice requirements.</p> <p>That Council review the current Complaints Management Policy against the OLG better practice guides and update it to ensure coverage of all key elements.</p>	4	<p>Management accepts recommendation, review and update will occur as part of the policy review process. This policy will be reviewed as a high priority.</p>
IAGOV-8	Meeting Code	<p>The OLG has released a new mandatory Model Code of Meeting Practice. Council will be required to adopt the new Model Code by 14 June 2019. Council should ensure the Model Code is adopted by the prescribed date.</p> <p>That Council adopt the new Model Code of Meeting Practice as soon as practicable but no later than 14th June 2019.</p>	4	<p>Management accepts the recommendation, the new code was presented to the February Ordinary Meeting of Council for adoption along with the new model code of conduct.</p> <p>Action complete.</p>
IAGOV-9	Risk Management	<p>It is recommended that Council provides adequate resources to ensure an appropriate enterprise wide risk management framework is fully implemented.</p> <p>That Council review the resource requirements for the implementation of the Enterprise Wide Risk Management Framework and allocate resources appropriately.</p>	4	

10. GOVERNANCE DISCUSSION

Report: Verbal

Review of current Risk Environment including:

- Enterprise Risk Management Status
- Consultation with JLTA regarding available resources to implement ERMP.

Attachments:

- Continuous Improvement Program Summary
- RMAP Template
- Mandatory Training and Updates

That the Committee Note the Governance Discussion and continued improvement

MOVED by: Cr Jeff Mannix and SECONDED by: Sandra Gordon

NOTED

Mr Kitzelmann delivered a verbal report on Governance and the current risk environment. JLT has noted the continual improvement within the organisation with specific comment being made as to the substantial reduction in risk exposure over the preceding 12 months.

11. ENTERPRISE RISK MANAGEMENT PROGRAM

Report: Verbal

General Manager

- ICAC - None
- OLG - Public Inquiry
- Complaints

That the Committee Note the Enterprise Risk Management Program

NOTED

Michael Kitzelmann advised the committee that Council has not received any date from OLG for commencement of Public Inquiry.

Council currently has 2 complaints and have both been lodged with OLG.

12. LEGAL MATTERS

Report: Verbal

General Manager

Legal Matters

- IRC Staff – 1
- Supreme Court – Caravan Park

Mr Kitzelmann advised the committee that the legal matters concerning the staff have been dealt with and completed.

Caravan Park is currently going to Supreme Court. The date for next court has been set for 5 April 2019. The Audit and Risk Management Committee were advised of Councils resolution resulting from the March Extra-ordinary Meeting.

“03.19.4515 RESOLVED on the motion of Cr Roberts and Allen that Council receive and note the report and take no further action until legal proceedings have been finalised.”

NEXT MEETING

Thursday 2nd May 2019, to be held at Council Chambers at 12:00 noon.

MEETING CLOSED

Meeting closed at 2 pm.

The Chair, Ms Rosanne Kava thanked all for attending.

MINUTES OF THE BALRANALD SHIRE COUNCIL AUDIT AND RISK COMMITTEE MEETING
12 noon THURSDAY 21st March 2019
COUNCIL CHAMBERS, 70 MARKET STREET, BALRANALD.

Action Table				
Reference #	Action Description	Action Owner	Status	Date Action raised / Completed
1	Risk Assessment and Risk Framework to be developed	General Manager	<ul style="list-style-type: none"> • CIP Developed • ERM Adopted • Risk Register Developed 	3 May 2018 / June 2019
2	Details of Audit Committee Training to be made available with training to be advised to all councillors and Executive Staff, not just committee members.	HR/GOVERNANCE	In Progress - OLG currently reviewing Audit Committee structures. Training on hold until finalised.	16 August 2018 / Ongoing
3	WHS Audit report be submitted to this committee for consideration	HR/GOVERNANCE	Report submitted, Actions ongoing	16 August 2018 / Ongoing
4	Asset Management plan to be received and submitted to this committee for consideration	General Manager	Moved to May/June meeting pending recruitment of new DID	16 August 2018 / June 2019
5	Enterprise Risk Management Program to be implemented in coordination with JLT	General Manager	Moved to May/June 2019 meeting. CIP Developed, ERM Adopted, Risk Register Developed	1 June 2017 / June 2019
Standing Items				
Reference #	Action Description	Action Owner	Status	Meeting date
1	The Financial Statements must be presented to the Audit Committee before being presented to Council	DCCS	Ongoing – 2019 Interim scheduled for 17 June.	3 May 2018
2	Progress report on Performance improvement Order items be developed and provided at future meetings.	GM	Ongoing	Ongoing, expected finalisation June 2019

Performance Improvement Order						
	OLG REPORT RECOMMENDATIONS	PROPOSED OUTCOMES	ACTION BY	STATUS AT March 2019	ADDITONAL RESOURCES	COMPLETION DATE
4	Council undertake a comprehensive review of all its policies and ensure that they are submitted to the council for adoption	All of Councils Policies to be reviewed and adopted by Council at the February 2017 Council meeting. In doing so identify any critical outstanding policies and include them for adoption.	GM	Policies subject to review Plant Replacement Policy, Cemetery Policy, Water Supply Verge Policy, Tree replacement Policy	In - House	Ongoing 50% of policies to be reviewed annually based on 2-year review cycle.
5	That Council develop a plan to improve its document management processes and system which will meet the requirements of the State Records Act	Electronic Management System installed, Dedicated staff member appointed to manage the system. Staff provided training to utilise the system	DCCS	Ongoing refinement required	In - House	Quarterly review with mature system by June 2019 Action Complete
15	That Council consider the future operations of the Balranald Caravan Park to ensure that the park continues to be a major asset for the District and produces realistic income with minimum risk	Matter currently subject to Legal Proceedings	DCCS	Scheduled to appear in the Supreme Court of NSW 5/4/19		Ongoing
19	That Council undertake a rates review to ensure the correct categorisation of properties to ensure equity and income maximisation	Review completed this calendar year	GM	Council considered report from Morrison Low and resolved for Rates for review 2019/2020. Resolution no. 10.17.4110	In-house	Completed part of rate review, Completion June 2019