



MINUTES

**Audit, Risk and Improvement
Committee Meeting
Thursday, 17 June 2021**

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**MINUTES OF BALRANALD SHIRE COUNCIL
AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, MARKET STREET BALRANALD
ON THURSDAY, 17 JUNE 2021 AT 2PM**

1 OPEN**2 PRESENT**

MS ROSANNE KAVA (CHAIRPERSON), MR SIMON RULE AND MR DAMEIN AIDON,

IN ATTENDANCE:

RAY DAVY (ACTING GENERAL MANAGER), TERRI BILSKE (DIRECTOR CORPORATE & COMMUNITY SERVICES), MR KEITH COATES, MR BRETT HANGER AND KYLIE GEBERT (EXECUTIVE ASSISTANT)

3 APOLOGIES

Oliver McNulty (General Manager) and Mr Manuel Moncada

4 CONFLICT OF INTEREST

Nil

5 ENGAGEMENT PLAN

The Chair, Rosanne Kava recommended due to time restraints and Mr Brett Hanger being required to attend another meeting at 2.30pm, that the Annual Engagement Plan be the first item discussed, then the Agenda items would follow.

Mr Hanger understood that Mr Manuel Monocada had circulated the Annual Engagement Plan to Chairperson and the organisation. Mr Rule advised that he had not received a copy of the document and asked if we need to make a motion to include the Engagement Plan into our Agenda.

COMMITTEE RESOLUTION 2021/11

Moved: Mr Simon Rule

Seconded: Mr Damien Aidon

That the Annual Engagement Plan be added to the Agenda and distributed to all present for immediate discussion.

CARRIED

Ms Kava asked Kylie to circulate the Engagement Plan to the Committee members whilst Mr Hanger was discussing the item.

Mr Hanger advised that this document outlining the scope and timing of this year's audit of the Financial Statements had been first issued in April.

He indicated that most of the report is similar to previous years and provides background information with some key areas of the letter for discussion.

* Section 2 of the Engagement Plan covers the focus areas of this year's audit, being quite similar to last year, except with the addition of COVID-19 pandemic, which occurred after the issuing of last year's letter. It has now been included in this year's plan, as an ongoing assessment of the impact on Council. This has been included in all Engagement Plans for every Council with Management to assess and document the impact of COVID-19 on Council's operations in the 2021 financial statements.

* Assessment of property plant and equipment. No asset class has been scheduled for a formal revaluation for this year, but it is important for Management to document the assessment of asset values to ensure that carrying amounts don't exceed what they would be if a fair valuation was done. This is in accordance with accounting standards.

* Quality and timeliness of Financial reporting:- this is a standard point included in Engagement Plans for all Councils, although it has been noted that based on experiences from last year and previous years it has been a particular issue for Balranald.

IT General controls:- This is a requirement of the auditing standards. This year, questions will be asked to Councils around cyber security, as well.

Section 5 of the Engagement Plan, is quite a detailed timetable for this year's audit which has been agreed with management. It commences with the Interim Audit which started last week. It is being undertaken remotely given the lockdown circumstances. It is working out OK. Obviously there were some delays in getting the information requested, although this is progressively being provided. A draft Management letter will then be prepared for management comments, with a view to following up also on some items from last year. The Management letter is due to be issued no later than 31 July. At this stage there is no reason to suggest that this won't be on target.

The Engagement Plan also includes information about the composition of the audit team, financial reporting matters and recent publications from the audit office.

Mr Hanger advised dates. They are due to commence the year-end audit of the financial statements on 13 September with a view to having the draft financial statements and various information provided to them one week before this.

Mr Hanger advised the intention is for the year-end audit to be conducted onsite.

The Chair enquired when the audited documents would be ready for the Audit Committee to consider, noting it is important for the Audit Committee get to see the documents as they progress. Mr Hanger advised that the year-end audit Committee date was not scheduled, and that it was something for Management to determine.

Ms Kava enquired about last year's costings under Engagement Fees on page 7 noting that Unplanned additional procedures cost \$20,000 on top of the \$46,200 estimated audit fee and some implementation of new accounting standards of \$4,000. Mr Hanger advised this was because of all the additional work with the difficulties and various adjustments to the statements which created quite a lot of additional work for the auditors.

Ms Kava asked Ms Bilske about her expectations for the completion of the Audit in the coming year. Ms Bilske advised that she would be finishing work at Balranald in two weeks, and not knowing the next person's expertise, found it difficult to make a prediction. She mentioned that Council had a fairly inexperienced Finance Manager which caused some issues in getting the Budget and the Long Term Financial Plan completed on time. Ms Bilske said she had ended up completing this work herself over a shorter period than was usual. Ms Bilske highlighted the difficulty in getting qualified staff in the country.

Mr Davy advised that a new Director would be commencing work on 19 July, in her first role as Director, and that while we will do our very best to avoid delays we would be naïve to think it will be all smooth sailing as the Finance Manager is quite inexperienced in this type of work and the incoming Director is an unknown.

The Chair thanked Ms Bilske and Mr Davy for their frankness and expressed concern that there should not be a repetition of last year's delay (in finalising the Financial Statements).

Mr Hanger advised that other country Councils in similar circumstances bring in consultants towards the end of year to assist. These consultants travel around to different councils helping with year-end processes and compiling the financial statements. Perhaps this could be an option if the budget allows.

Ms Kava commented that as \$20,000 (the additional cost of the audit last year) is a lot of consultant time, perhaps this is an option.

Ms Bilske advised that the incoming Director has completed a set of financial statements herself in the past and she believes an additional financial accountant is proposed, although this is not in the structure at the moment. Ms Bilske advised that the Financial Manager is a qualified accountant. She pointed out there is a three week gap from when she leaves and the new Director commences and this may cause some problems. Ms Bilske said she did offer to stay on for a few weeks, but she will be leaving on 30 June 2021.

Ms Kava thanked her for making that offer, but noted this decision is up to the organisation, and they may reconsider if they are putting the statements at risk.

Mr Aidon asked if we could seek assistance from other Councils and Ms Kava responded that Ms Bilske had offered and was somewhat surprised that it had not been accepted.

The Chair advised she would be happy to advise the General Manager that these concerns had been discussed at ARIC and he might like to reconsider the offer of Ms Bilske staying on to fill the three week gap, although she noted he may have some other plans that we are not aware of. Mr Davy indicated he would put these comments in his handover notes to the GM on his return.

COMMITTEE RESOLUTION 2021/12

Moved: Mr Simon Rule

Seconded: Mr Damein Aidon

1. That the Annual Engagement Plan be noted and that ARIC is kept updated regarding its progress in accordance with the proposed timetabled dates.
2. That ARIC needs to be involved in the financial reporting process to review the project plan and financial statements.

CARRIED

Mr Brett Hanger left the Meeting at 2.30pm.

5 MINUTES OF PREVIOUS MEETING**5.1 MINUTES OF THE AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING HELD ON 25 FEBRUARY 2021**

COMMITTEE RESOLUTION 2021/13

Moved: Mr Simon Rule

Seconded: Mr Damein Aidon

That the Minutes of the Audit Risk and Improvement Committee Meeting held on 25 February 2021 be received and noted.

CARRIED

Ms Kava pointed out an error in the Agenda with regards to the ARIC Meeting being live streamed (page 2). This was part of the Council Meeting template that was inadvertently included. The ARIC Meeting is not being Live Streamed.

6 OUTSTANDING ITEMS FROM MINUTES**6.1 HR/GOVERNANCE POSITIONS VACANT:**

Mr. Davy advised the Council has engaged the services of a HR Consultant who is helping with recruitment and the filling of vacant positions. There is a plan going forward for the Human Resources position.

Ms Kava noted that Mr Ruddick's former position included Governance (in addition to HR and Workplace Health and Safety) and reminded the Committee that funding of a person to undertake the Governance role specifically was a matter that ARIC had raised a number of times due to advice from Management that the organisation was unable to progress the implementation of previous internal audit findings due to lack of this resource. On ARIC's resolution, she had written to Council highlighting the need for funding of a Governance officer.

Mr Davy indicated that discussions are at the advanced stages with Mr Coates regarding the Governance role. Mr Coates advised that the fine print at this stage is not finalised, he will sit down with Mr McNulty and/or Mr Davy to finalise the process.

6.2 MEETING WITH MINISTER

Ms Kava enquired whether Mr McNulty had met with the Minister, the intent of which was indicated in previous ARIC Meeting Minutes.

Mr Davy advised that Mr McNulty met with the Minister in April and raised the issue of State funding for gaps identified in Balranald's Services, eg. Governance Officer. Unfortunately those overtures were politely rebuffed; therefore there is no additional funding.

6.3 INTERNAL AUDIT PROGRAM

Mr Coates advised work has commenced on reviewing and updating policies. He will be onsite next week and part of the week after to meet face to face with staff to

enable him to complete the update of the policies. Approximately 12 policies have been completely updated and approximately 30 policies are still in progress

6.4 ACTIONS FROM PREVIOUS MEETINGS

Mr Kava raised concerns of the status of actions from previous audits not being included in this agenda, as previously requested by ARIC. It was re-iterated by all Committee members that this was the expectation from them that it would be included in all future agendas.

Mr Coates advised that he would possibly be assisting Council staff, with this once his position has been finalised.

6.5 OPERATIONAL PLAN 2020-2021 – PROGRESS REPORT

MR DAVY ADVISED THAT THE GM, MR MCNULTY, HAD STATED THAT HE INTENDS TO PROVIDE REPORTS AT REGULAR INTERVALS, AND TO PROVIDE A SCORECARD ON WHERE COUNCIL IS UP TO, IN THE PROGRESS REPORT.

MS KAVA ADVISED THERE HAD BEEN SOME CONCERNS EXPRESSED PREVIOUSLY OF CAPITAL WORKS ACTIVITIES GETTING AWAY FROM COUNCIL WHERE ACTUAL COSTS WERE MUCH GREATER THAN PROJECT BUDGETS. THE PROGRESS REPORT WAS A WAY OF TRACKING.

MS BILSKE ADVISED THAT IT WAS AN ISSUE FROM THE PREVIOUS FINANCIAL YEAR, NOT THIS FINANCIAL YEAR. SHE INDICATED THAT BETTER CONTROL WAS BRING KEPT ON THE PROJECTS FOR THIS FINANCIAL YEAR, AND THAT BUDGET VARIATIONS WERE REPORTED IN THE QUARTERLY BUDGET REVIEW, WHERE PROJECTS COULD NOT BE COMPLETED.

MR DAVY ADVISED THAT AS FAR AS THE OVERALL CAPITAL DELIVERY PROGRAM IS CONCERNED, ANY PROJECTS THAT WHERE TENDERS HAVE COME IN HIGHER THAN BUDGET, BUDGET REVISIONS HAVE BEEN REPORTED TO COUNCIL.

ARIC WAS ADVISED THAT COUNCIL HAS DEFERRED THE EXPENDITURE ON THE HOSTEL EXTENSION BECAUSE IT IS AWAITING THE OUTCOME OF SUPPLEMENTARY FUNDING. IT HAS ALSO DEFERRED THE REDEVELOPMENT OF VISITOR INFORMATION CENTRE BECAUSE OF DELIVERY OF PUBLIC CONSULTATION. PROJECTS HAVE BEEN SWAPPED BETWEEN PHASE 1 AND PHASE 2 BECAUSE OF DELIVERY TIMELINES.

MS KAVA ALSO ASKED WHETHER THE CONTRACT MANAGEMENT FRAMEWORK HAS BEEN DEVELOPED.

MR DAVY REPLIED THAT THERE HAD BEEN NO FURTHER WORKS ON THE PROJECT MANAGEMENT AND ASSET MANAGEMENT FRAMEWORKS SINCE THE LAST ARIC MEETING. THESE WERE MATTERS FOR WHICH THE GENERAL MANAGER WAS HOPING TO OBTAIN ADDITIONAL FUNDING TO RECRUIT SOME ADDITIONAL STAFF IN THE INFRASTRUCTURE AREA. AS THE FUNDING HAS NOT BEEN FORTHCOMING THESE MATTERS REMAIN IN ABEYANCE.

MS KAVA ADVISED THAT THE RECOMMENDATIONS FROM ARIC REMAIN, NOTWITHSTANDING.

MR AIDON STATED THAT IT IS DIFFICULT FOR PEOPLE TO TRANSFER TO BALRANALD BECAUSE OF THE LACK OF HOUSES AND EXPECTATIONS OF POSITIONS. IS THERE AN AVENUE FOR MORE BENEFITS, MAYBE ACCOMMODATION CAN BE OFFERED?

IT WAS NOTED BY ARIC THAT LACK OF SUITABLE ACCOMMODATION IN THE BALRANALD AREA IS ONE REASON WHY COUNCIL HAS DIFFICULTY ATTRACTING APPROPRIATELY SKILLED PEOPLE TO FILL VACANT POSITIONS.

7 ACTION LIST

Ms Kava noted that it had been agreed the action table should be on the Agenda updated appropriately.

8 REPORTS

8.1 RECORD MANAGEMENT REVIEW

PURPOSE OF REPORT

To provide Audit, Risk and Improvement Committee with the Records Management Review

Mr Coates who conducted the Review, advised the following;

- The report has not yet been put to management for comment.
- The number of areas that house Council's records needs urgent review and classification. Council has an old shed at the back of the depot full of old records, and these records do not appear to have been reviewed or classified. They are open to weather in parts. This is contrary to the Act and the Guidelines.
- There was a good records training system operating previously, although with the responsible staff member leaving, it needs to recommenced, particularly for newer staff.
- There needs to be a formal procedure for record management training to be undertaken for all staff that highlights their Record keeping responsibilities

Ms Kava asked if the Records position falls under Director Corporate Services. Ms Bilske advised that the position reports to the General Manager. Mr Coates advised that a new person is in the Records position, who will restart the training process in the next few months.

Mr Coates mentioned there are a couple of older systems that contain Records which need to be defined under GA39. This is possibly something that the new Governance person could assist with.

One concern raised by Mr Coates was that there are classified files currently being kept by the Administrator. Mr Coates spoke to the Senior Executive Assistant about where these documents were stored and she was unable to answer. Under the legal requirements, this storage area would need to be assessed and approved by the General Manager. Nobody was able to advise Mr Coates where the documents where these confidential documents were stored.

Mr Davy advised that these documents arose with the departure of a previous General Manager, and the Administrator did not want staff having access to the confidential files. Mr Davy observed that with this document management system, someone always has access to all folders.

Ms Kava commented that every Council has classified confidential documents, and record management systems should be able to accommodate this.

Mr Davy advised that he was the Acting General Manager at the time of these events and there

was some robust discussion around compliance. He has no reason to believe there are documents on any other matter stored there.

Ms Kava asked if these documents were being stored legally. Mr Davy could not answer this.

As this matter has been highlighted in an audit, there is a need for action by management to ensure the legal storing these documents. It was noted that staff should not have access to files or documents that they are not entitled to.

Mr Davy offered to raise this matter with the Administrator.

Mr Coates advised that if the documents are being stored and compliant with Standard 11, he is satisfied. The storage area for these documents needs to be reviewed and approved by the General Manager.

Major concerns were raised on Council Records kept in the Shed at the Depot being potentially damaged. These records will need to be examined and moved to a safer area.

In answer to a query in regard to the regular transfer of records to the State Archive, no information was available. There should be some documentation of if and when the last transfer of records to the State Archive occurred.

COMMITTEE RESOLUTION 2021/14

Moved: Ms Rosanne Kava

Seconded: Mr Simon Rule

1. That the report be received and noted.
2. Endorse the recommendations of this Audit in principal.
3. Seek the response from Management at the next ARIC Meeting, on the recommendations and their implementation.

CARRIED

Mr Keith Coates left the Meeting at 3.25pm.

8.2 ENDORSEMENT OF THE DRAFT 2021/22 OPERATIONAL PLAN, LONG TERM FINANCIAL PLAN, FEES AND CHARGES AND REVENUE POLICY FOR PUBLIC EXHIBITION

PURPOSE OF REPORT

To inform the ARIC of the development of the Draft 2021-2022 Operational Plan, incorporating the proposed Annual Statement of Revenue and the proposed Fees and Charges and Long-Term Financial Plan (Budget) on public exhibition as required under Sections 405 and 406 of the Local Government Act, 1993 and invite comment prior to formal adoption.

Ms Bilske advised that the documents are currently publicly advertised and will be presented to the Council for formal adoption on 29 June 2021. Community consultations have been organised in Balranald, Euston and Clare. Submissions are due by 26 June.

Ms Bilske reported

- sewer charges have risen significantly, as these were quite low.
 - Rates increase is 10% overall is proposed.
 - Depreciation is not in the calculation and we have a balanced budget.
 - Some major projects have been deferred until next year.
 - Council is spending nearly \$5M on roadworks, some of which is funded through grant
-

monies.

- Before depreciation, the proposed Budget is running at a surplus of \$376,000, comprising \$25.8M revenue; \$15.6 operational expenditure; and about \$10M in Capital Works.
- The capital works program is being funded from confirmed grant monies.

Ms Kava asked how the new assets are to be funded and queried the selection process for constructing new assets as opposed to maintaining existing assets. Ms Bilske advised that a consultant has been engaged to look at the Asset Plans. Mr Davy advised that the nature of the grant funding is project specific. He said Council has the choice to either decline the funding opportunity or to invest in something new.

Mr Ray Davy left the Meeting at 3.35pm.

Ms Bilske advised we do have an asset management plan but it is getting reviewed. Until that is completed Council is relying on information from the Infrastructure Department for capital works and that is how the budget has been prepared.

Mr Aidon advised that he is happy that the budget is in surplus, although doesn't fully under the road system. He wondered whether farmers would have some shared responsibility with roads.

Ms Kava advised that consultation or discussion is needed with the road users and there is usually more road needs than funds available.

Ms Kava noted that there is a prediction of 280 permanent jobs once the nut farms, solar farms and mineral sands mining become operational and asked if/how these predicted increases in economic activity have been factored into the Long Term Financial Plan. Ms Bilske advised that she has only noted it. She had obtained the ABS stats and stated that there is a lot of economic activity in the area and we believe that there will be additional employment but it is not yet recognised. As we have had no valuation, we can't rate them. Ms Bilske observed that Council may struggle in 10-15 years when mining is exhausted, unless there are other operations that come along.

Ms Kava raised concerns about staffing levels. From previous reporting there are areas of great need, eg. lack of Governance Officer. This gap is restricting actioning of the internal audit recommendations to the point where ARIC has deferred scheduled internal audits to enable Council to catch up with implementation. It was observed that asset management was another area that has been on our agenda for a number of years.

Ms Bilske has advised that a Governance Officer position has been placed in the budget for approximately \$110,000. She mentioned also that consultant costs are large at the moment with two or three consultants working in the Infrastructure department and one in HR, due to difficulty in attracting qualified staff.

The Internal Audit budget has been reduced from \$50,000 down to \$25,000.

Ms Kava queried on page 11 of the LTFP the figures \$376,000 net budget surplus and net capital result of \$768,000 in negative.

Mr Rule pointed out that if you take the operating surplus of \$9.4M and take away capital revenue of \$10.1M you get -\$768,000. Therefore if Council didn't have capital revenue, it would have been forecasting a \$768K deficit instead of a \$376K surplus.

COMMITTEE RESOLUTION 2021/15

Moved: Mr Simon Rule

Seconded: Mr Damein Aidon

That the Audit Risk and Improvement Committee Notes the 2021-2022 Draft Operational Plan and Long-Term Financial Plan including the 2021-2022 Fees and Charges

CARRIED

8.4 INTERNAL AUDIT ARRANGEMENTS

Mr Rule enquired whether there was a possible conflict of interest in Mr Coates undertaking Governance functions for Council if he will be auditing the policies/processes that he is developing. It was suggested that the GM, Mr McNulty, may be looking at alternative internal auditor arrangements, or perhaps the JO's may share internal auditors.

COMMITTEE RESOLUTION 2021/16

Moved: Mr Simon Rule

Seconded: Mr Damein Aidon

That the General Manager presents a verbal report at the next ARIC Meeting regarding his plans for the internal auditor going forward.

CARRIED

8.4 STRONGER COUNTRY COMMUNITY FUNDS

Mr Rule asked if there was anything that Ms Bilske had any thoughts or concerns about as the departing Director.

Ms Bilske advised she has been trying to get one thing resolved for about 12 months - Council is owed \$1.4M from the Stronger Country Community Funds for Market Street works and for the Football Club rooms, \$221,000. The funds won't be released (by the Commonwealth) as there are variations undertaken that haven't been approved by them. Ms Bilske reported Council issued the first debtors invoice in May 2020 and after a change of name, another invoice was issued in October 2020. She indicated this issue has been brought up regularly including at a Council meeting.

Ms Bilske commented that the Market Street project was 'a mess', with variations made and not approved, and required paperwork not completed. The Auditors are aware of this situation.

Mr Rule suggested that we note this, and ask Brett Hanger, the External Auditor to comment at the next ARIC meeting he attends.

COMMITTEE RESOLUTION 2021/17

Moved: Ms Rosanne Kava

Seconded: Mr Simon Rule

That a Report on the completion of the Department of Regional NSW – Stronger Country Communities Fund (Market Street Beautification Project and Greenham Park) be requested regarding finalisation of funds received.

CARRIED

Ms Kava thanked Ms Bilske for her time, dedication and contributions to the Shire and ARIC over the past 3.5 years. And wished Ms Bilske & Des well and all the best.

Ms Bilske thanked Ms Kava and ARIC for their well wishes and wished them all the best in return.

9 NEXT MEETING

MS KAVA WILL CONSULT WITH GENERAL MANAGER AND CAROL A DATE FOR THE NEXT MEETING.

10 CLOSE

The Meeting closed at 4.20pm.

The minutes of this meeting were confirmed at the Audit Risk and Improvement Committee Meeting held on 214st October 2021.

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CHAIRPERSON