



MINUTES

**Audit, Risk and Improvement
Committee Meeting**

Thursday, 21 October 2021

Order Of Business

1	Open	3
2	Present	3
3	Apologies	3
4	Minutes of Previous Meeting	3
4.1	Minutes of the Audit Risk and Improvement Committee Meeting held on 17 June 2021	3
5	Business Arising	3
6	Action List	6
7	Reports	6
7.1	INTERNAL REVIEW OF THE MANAGEMENT AND EXPENDITURE IN RELATION TO SPECIFIED PROJECTS UNDERTAKEN BY BALRANALD SHIRE COUNCIL	6
7.2	POLICIES - SEPTEMBER 2021.....	8
7.3	WORK HEALTH & SAFETY PROCEDURE	9
7.4	RISK MANAGEMENT AND INTERNAL AUDIT FOR LOCAL COUNCILS IN NSW	10
7.5	BETTER PRACTICE REVIEW	11
7.6	ACTION TABLE UPDATE	12
8	Next Meeting	13
9	Close	13

**MINUTES OF BALRANALD SHIRE COUNCIL
AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, MARKET STREET BALRANALD
ON THURSDAY, 21 OCTOBER 2021 AT 11AM**

1 OPEN**2 PRESENT**

Ms Rosanne Kava (Chairperson) and Mr Simon Rule via zoom

IN ATTENDANCE:

Mr Keith Coates via zoom, Glenn Wilcox (General Manager), Mr Mike Colreavy (Administrator) via zoom and Carol Holmes (Senior Executive Officer).

3 APOLOGIES

BRETT HANGER, MANUEL MONCADA AND DAMIEN AIDON.

DUE TO THE APOLOGY FROM MR DAMIEN AIDON ONLY LEAVING 2 MEMBERS PRESENT, THE CHAIRPERSON ADVISED THE MEETING THAT WE WILL CONTINUE AS MAJORITY OF MEMBERS ARE PRESENT. CHAIRPERSON PROPOSED THAT AN AMENDMENT BE MADE TO THE TERMS OF REFERENCE LATER IN THE MEETING. MR RULE ADVISED HE IS HAPPY TO PROCEED ON THAT BASIS.

THE CHAIR WELCOMED EVERYONE AND IN PARTICULAR MR COLREAVY INVITED HIM TO MAKE ANY GENERAL COMMENTS IN THE GENERAL BUSINESS SECTION.

4 MINUTES OF PREVIOUS MEETING**4.1 MINUTES OF THE AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING HELD ON 17 JUNE 2021**

COMMITTEE RESOLUTION 2021/18

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

That the Minutes of the Audit Risk and Improvement Committee Meeting held on 17 June 2021 be received and the recommendations therein be adopted.

CARRIED

5 BUSINESS ARISING FROM MINUTES**Engagement Plan**

The Chair asked if this had been circulated to members as requested. Carol to confirm and circulate if not yet been sent to members.

The Chair invited Mr Wilcox to made comments any on the status of the preparation of the Financial Statements as they are not on the agenda.

Mr Wilcox advised that he has contacted OLG and requested an extension as Council cannot complete the external audit in September, as required. He estimated Council would not be ready to

go to external audit until Late November/early December. Mr Wilcox indicated Council has external contractors working on the Statements at the moment, and he has asked for an extension until January 2022. The audited financial statements should have been presented to Council before end of November and placed on our website according to the Act. Council has missed this deadline for the third consecutive year.

Mr Rule asked if there had been any feedback from OLG in terms of whether it was likely to keep giving extensions every year for late lodgement of Financial Statements. Council will need to plan better for future years. Mr Wilcox stated that further repetition of late lodgement could result in OLG taking further action against Council.

Mr Wilcox advised that a second part of the resolution to the Administrator at the Council meeting on Tuesday evening was that Council engage external consultants to run Council's finance system. Council will be looking for someone to undertake this role for at least 12 months. Mr Wilcox advised this selection will be a competitive process.

The Chair asked what this means for the organisation. Mr Wilcox advised that day to day procedures will remain the same, it's just the budgetary and end of year processes that need external consultants' assistance. The Administrator has also requested more detailed monthly reporting be submitted to him each month - similar to what is provided each quarter. As part of the change in that process from Council, Mr Wilcox has advised the senior staff that the end of May will be the cut off date, this will give all of June to have the accounts balanced and reported on in July.

Mr Rule said that it is difficult to attract and retain qualified staff to smaller councils. He knows of a similar council that also has external contractors assisting with finances.

Mr Colreavy advised he is comfortable with the map of what Mr Wilcox has put in place to make the improvements but he is very uncomfortable with the result Council received for the end of 2020/2021. Mr Colreavy advised that when Mr Wilcox was engaged, the top of the priority list was that he had concerns that we were not likely to meet the completion of the financial statements within the statutory timeframes. Mr Wilcox has conducted an audit of our finance and governance arrangements and as a result of reports he has submitted, things are moving now.

Mr Colreavy went on to point out that in the finance area there has been a lot of disruption - we have had 3 Finance Managers within 18 months. Hopefully by the time Mr Wilcox leaves we will be in better shape and whoever is appointed will be able to pick up the organisation up in good working order and move forward.

The Chair advised that the committee shares the disappointment that the financial statements have not been able to be produced on time for the third year in a row. We are encouraged that major steps have been taken to complete the financial statements and to put in place arrangements so that the statements will be completed on time next year.

Governance Officer

Mrs Bilske had advised previously that \$110K had been put in the budget for a Governance Officer but Mr Wilcox advised that at best there was only \$60K in the budget for this purpose. He informed the Committee that the whole governance process has been reviewed from top to bottom, which is still in process. A review of all Council's policies has begun. Down the track there will be a Governance role. Mr Wilcox will speak with the Administrator.

There was a question raised at the last meeting, with Mr Coates reviewing the policies, would this then cause a conflict of interest when Mr Coates comes to continuing the internal auditing process?

Mr Wilcox advised that he had prepared all the policies. He said Mr Coates is only reviewing them to ensure they are compliant with previous audits and they fit with our organisation. Mr Coates is being kept away from internal Governance position and reverting back to the Internal Auditor role. Mr Wilcox did not agree that the internal auditor should be the Governance Officer.

The Chair advised of her understanding that the intent had been to pause the internal audit function and for Mr Coates to take on the Governance role until all outstanding processes had caught up.

Mr Rule advised he had no doubt that Mr Coates could fulfil the Governance role, but had been concerned that would cause a conflict of interest.

ARIC is happy with the results that the Acting General Manager now has in place.

Stronger Country Community Funds

IT WAS NOTED THAT IN THE PREVIOUS MINUTES, THE STRONGER COUNTRY FUNDS HAD BEEN INCORRECTLY REFERRED TO AS COMMONWEALTH FUNDS BUT SHOULD HAVE BEEN NOTED AS STATE FUNDING.

MR WILCOX ADVISED THAT COUNCIL HAS NOW NEGOTIATED FOR THE STATE GOVERNMENT TO PAY COUNCIL THE \$1.4M THAT IS OWED ON THE MARKET STREET UPGRADE, ALTHOUGH IT HAS NOT HIT THE BANK ACCOUNT AS YET. THERE HAVE BEEN ISSUES IDENTIFIED REGARDING THE PROCESSES FOR THIS PROJECT WHICH WILL BE ADDRESSED LATER IN THE MEETING.

6 CONFLICT OF INTEREST

There were no Conflict of Interests

7 REPORTS

7.1 INTERNAL REVIEW OF THE MANAGEMENT AND EXPENDITURE IN RELATION TO SPECIFIED PROJECTS UNDERTAKEN BY BALRANALD SHIRE COUNCIL

PURPOSE OF REPORT

To advise the committee of the internal review process.

This report is **in confidence** as the final report has not yet been completed and disclosure of it will be detrimental.

Mr Coates advised he will go through the major areas of concerns and issues and noted some will need further clarification. He envisages that the report will be finalised in November and presented to the Acting General Manager, the Administrator and this Committee in due course.

Mr Coates made the following preliminary, **in-confidence**, comments

- It appears numerous items have been supplied by the contractor that are not in accordance with the tender specifications.
- Variations have been paid for without evidence to support the costs claimed by the contractor. These were not formally reported to or from the funding body.
- Scope changes to the project have occurred without being properly costed.
- Lack of documentation, including no copy of the executed contract between council and the primary contractor either in electronic or hard copy.
- No formal project planning.
- Very limited reporting to the elected body during the project lifestyle.
- 18 months delay before the Director analysed any warranty matters, defects etc, claims against the contractor for works not completed and standards checked. No formal close off or analysis of the final payments of invoices etc. There was no 'lesson learned' process at the conclusion of the project.
- Delay resulted in a garnishee of Council's bank of \$150K.
- If the Director's calculations tallied up correctly, Council is owed \$155K in monies with works not yet completed.
- We are about \$300K over budget. This could be regarded as a "substantial waste of rate payers monies" and for that reason this may be reported externally to OLG.

Mr Rule enquired – Is there any thoughts or evidence of fraud or corrupt conduct in this matter?

Mr Coates advised that the Project Manager of the time has departed the organisation, and we don't have the jurisdiction to question the contractor on what took place. There were a lot of variations without due process for signing off. If Mr Coates comes across any evidence of corrupt conduct arising from the above works, it will be reported to ICAC.

Mr Coates advised there will be a report, although he won't make any recommendation to this Committee at this stage. If he finds any evidence of the substantial waste of rate payers money or of being corrupt a formal report will be submitted the General Manager. Disciplinary action will be taken if needed.

Mr Wilcox advised that unfortunately this has not been the only project that has had cost overruns and has had to be reported to the Administrator for variations because of very poor project management procedures and management of finance. However this project is the biggest one that we are aware of.

The Chair advised that until the report is finalised the committee can note an investigation has been undertaken and is ongoing.

Mr Wilcox advised that the Administrator resolved on Tuesday to establish a Works Committee to oversee future projects to ensure they comply with funding deeds etc. Some significant projects have put on hold until they have been overseen by the Committee. The Committee will consist of Administrator, Acting General Manager, Director Engineering, and a Senior Engineer. As yet, there is no finance person to be included in the Committee.

COMMITTEE RESOLUTION 2021/19

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

That the Committee notes

- the confidential nature of this report;
- the status of the Internal Review process; and
- the need for implementation of the actions once they are finalised.

CARRIED

7.2 POLICIES - SEPTEMBER 2021

PURPOSE OF REPORT

In accordance with the Local Government Act 1993, a Council is required to review its local policies and other documents within twelve months of a general election. Although Council is under Administration this does not remove the requirement for a review as required by the Act. Council is required to advertise the policies to the public. All policies will have a review date on them.

Mr Wilcox advised that he has begun the process of updating all Council's policies. Council has started from scratch to rebuild the organisation and to be more compliant. Twenty-four policies have been submitted to Council last Tuesday, although there will be approximately forty-two policies to be reviewed altogether. The twenty-four policies have now been put on public display for 40 days.

HR policies are still to be written and submitted to Council. These include policies and procedures for appointing of staff, how we deal with referees, and also the separation of employees.

The policies examined so far have been around procurement, disposal record management so that we have more control of what is happening.

Mr Rule stated that it was good to see these policies being updated as it had been noted previously that policies were outdated and did not reflect best practice or were not legislatively compliant.

The Chair asked what arrangements are being put in place to raise staff awareness of these new/revised policies and ensure the implementation of these policies. Also what is the process for reviewing all the policies?

Mr Wilcox advised that training had commenced through the Code of Conduct training for all staff, which addressed a number of policies. Policies like Code of Conduct, Fraud Control, Harassment and Bullying, procurement were all covered generally. Further training will need to be conducted around procurement.

Delegations has been fully reviewed and letters will be forwarded to the staff involved. Staff with financial delegations will receive training on procurement and disposal and more in-depth fraud training.

Part of the performance management of senior staff will reflect adherence to the policies.

Mr Coates advised that a contractor was engaged in 2017 to review the policies and for some of them only the date was changed. Some policies were originally dated 2001.

Mike Colreavy advised that "these things can come forward and be repaired as we have had effective management for only eight week. The next conversation he will have with Mr Wilcox will be what shape should the organisation look like going forward bringing effective management to an isolated region like this".

COMMITTEE RESOLUTION 2021/20

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

1. That ARIC note

1.1. the status of the review of Council's Local Policies, in accordance with section 165 Local Government Act 1993.

- 1.2. that Council has resolved to advertise all policies for a period of 40 days to allow for public comment ;and
 - 1.3. that Council will consider all public comments at the time of adopting any policy.
2. That ARIC emphasises the need for management to ensure
 - 2.1. the education of staff regarding the various policies; and
 - 2.2. the regular updating of policies at the prescribed times.

CARRIED

7.3 WORK HEALTH & SAFETY PROCEDURE

PURPOSE OF REPORT

Council has undertaken a review of its work health and safety documents as part of an assessment of its workplace, its insurance risks and its future operations. Council, like all employers, is required to ensure, so far as is reasonably practicable, that the health and safety of other persons is not put at risk from work carried out as part of the conduct of the business or undertaking.

Mr Wilcox stated that the insurers have advised him that Balranald Council was the worst council in NSW. Council had failed to complete required paperwork or have procedures in place. On a scale 1-5 Council didn't even achieve a 1.

Improvement Notices had been issued and have not been acted upon.

Since improvements have been made and works commenced, the insurance company now agrees that we are 80% compliant across the board on insurance. The final 20% of non-compliance is within the Business Continuity Plan and Enterprise Risk Management and we will work on these.

Staff who have been involved in rebadging the insurer's documents have been great and training must be completed, communication has not been expressed to insurers. Mr Wilcox advised that he had been kicked off a work site (appropriately) due to not being compliant, therefore there were some processes in place and some employees were using them. This just had not been conveyed to the insurers. We need to be more compliant right across the organisation.

Mr Wilcox informed ARIC he had recently filled the HR position and mentioned that training had commenced with the insurers. Being part of a mutual insurance, the insurers will assist Council with finding the paperwork and help with the payment of training also.

COMMITTEE RESOLUTION 2021/21

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

1. That ARIC note
 - a. the review of Council's Work Health & Safety Procedures and internal control documents, in accordance with section 17 and 19 Work Health and Safety Act 2011; and
 - b. that Council will place these documents on its website for public and contractor reference.

CARRIED

7.4 RISK MANAGEMENT AND INTERNAL AUDIT FOR LOCAL COUNCILS IN NSW

PURPOSE OF REPORT

To alert the ARIC that a draft document from the Office of Local Government has been released for public comment.

The Chair commented on the long length of time that NSW has given Councils to put these arrangements in place, with some not occurring until 2027. She noted the guidelines are still not final and commented Balranald Council's decision to form an Audit Committee in 2017 was a positive thing.

Mr Wilcox advised that ARIC could still make a submission if they wish.

Mr Rule stated it is heading in the right direction, that there has been some softening of what the original framework of 2 years ago, and it was good to see they have listened to the feedback from various stakeholders. It is up to Council to decide what direction they wish to take going forwards.

The Chair summarised ARIC's position to be that the Review appears to be heading in the right direction and ARIC has no comments to put forward in the form of a submission at this time.

The Chair proposed that the existing Terms of Reference for ARIC be changed to reflect current arrangements, as follows;

1. Remove the two Councillor Members from the original Charter, as Council is under Administration;
2. Change to Quorum to two formal Members of the Committee.
3. Add the Administrator, as a non-Voting member;

COMMITTEE RESOLUTION 2021/22

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

1. That the report be received and noted: and
2. That the current Audit, Risk and Improvement Committee Charter be amended
 - a. to remove 2 Councillors as Members
 - b. to change a quorum to two formal Committee Members; and
 - c. to include the Administrator to be invited to attend ARIC as a non-voting member.

CARRIED

7.5 BETTER PRACTICE REVIEW

PURPOSE OF REPORT

This report is to provide ARIC on the outcomes of the Better Practice Review undertaken by Council, as reported to Council's Ordinary Meeting.

The Chair requested that the Workforce Plan and Strategy be provided to ARIC for viewing.

Acting General Manager advised that he is happy to show ARIC what the policy is, although, it is a public document it is the basis on what the workforce structure would be.

The Acting General Manager and Administrator advised that a review is being undertaken on the substantial structural changes that need to be made to attract future senior staff and others. Office of Local Government funding will be sought to resource the changes. The Workforce Plan is part of the Integrated Planning component.

Mr Colreavy advised that on the matter of structure he is satisfied after almost 18 months that attempting to retain the structure in a similar format to what council had before it was dismissed is not working. He pointed out that Council has been unable to recruit executive staff, not just General Managers. Substantial changes will need to be made. It is likely to have the support of the State Government. He indicated he is planning to have discussions with OLG and then at Ministerial level. He observed that it will require some level of Government funding to put these changes in place.

Together with the previous General Manager, Mr Colreavy said he had started a conversation with OLG in terms of seeking resources. He pointed out that the Minutes of the last ARIC meeting referred to them meeting with the Ministers, but it was actually with the the Chief Executive.

COMMITTEE RESOLUTION 2021/23

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

That ARIC note the Better Practice Review and congratulate Internal Auditor (Keith Coates) and Acting General Manager (Glenn Wilcox) for undertaking it and note the intention report on it publicly.

CARRIED

7.6 ACTION TABLE UPDATE

PURPOSE OF REPORT

To provide ARIC with the updated Actions and Balranald Strategic Audit Plan from the Internal Auditor, and an updated Performance Improvement Order as at 11 October 2021.

The Chair congratulated Council on the actions that had been completed.

The Chair suggested that ARIC may have to extend its status reporting to Category 3s, and pointed out that the descriptor of the recommendation is still quite lengthy.

Mr Rule suggested that a column be added with an approximate date of completion. Having a timeframe gives the Committee some direction of where Council is up to in completing the actions.

An IT review will commence shortly.

Records Management Review

Mr Wilcox advised that we now have a Records Management Policy which is compliant with the State Records Act and will be implementing the GA39. Cleaning up of the Records at the Depot has commenced which will be a slow process and must be compliant with statutory requirements.

Referring back to ARIC's previous discussion about storage of sensitive files that the Administrator had created. The Chair advised the Administrator that the committee's concern coming out of the audit had been with the safekeeping of the files.

Mr Wilcox advised ARIC that he is happy with where these files are stored, they are stored on the premises, and the Administrator now has a file within Council's electronic document system in which to file these when actions are completed.

The Administrator advised that the information on those files was highly sensitive and he had previously lacked confidence about the maintaining confidentiality in storing of the information on the system. He indicated he had requested from the General Manager a space to hold these records, which was not accessible to the General Manager. Mr Colreavy reported he had a resolution of Council for filing of hard copies until such time as to electronically file them. He reported that these files were always kept on the premises and in a location where no staff would have had access to them.

Performance Improvement Order Update

Mr Wilcox advised Council have undertaken a full review of the Performance Improvement Order and some of the items previously being reported as completed and in actual fact they are incomplete and some of the documents don't exist.

The Chair advised that it was her understanding that the Improvement Order update had been audited regularly several years ago when it was imposed by the State Government. The status report on the Improvement Order had been included as an information item of the Audit Committee on a quarterly basis, for noting.

Mr Coates asked who had audited them as these are from the Ministerial order and they have not been completed as an internal Audit.

The assumption was the Department audited.

Compliance with Records Management Requirements

Mr Rule advised that State Records have sent an email out 6-8 weeks ago indicating they have released an assessment tool for public officers to undertake an assessment of their compliance of records management requirements. This should have been allocated to someone within the organisation to complete. State Records have indicated that as of 1st January 2022 they will be doing audits and asking Councils to send results back in.

Strategic Internal Audit Plan

Mr Coates advised that the Internal contract ceases in June 2022, and he is assisting Mr Wilcox in identifying the areas he wants to propose for future internal audits. There was some general discussion on the appropriate term for the next internal audit contract with views ranging from one to three years. The merits of continuing with the current internal audit arrangements was also explored, particularly given the stage Council is up to at the moment.

Mr Coates advised that he has been approached by a small group of councils within our region to continue with their internal audit plans for another 2 years until the State Government's requirements for Audit function have been finalised.

There was general support for having continuity of Council's Internal Audit services, given the changes to be introduced and the current state of the organisation.

The final guidelines for the Audit Risk & Improvement Committees could be available by the end of January. Mr Wilcox reminded the Committee that Council must have an Audit Committee as it is part of the Ministerial conditions. Mr Rule mentioned that for councils with an existing ARIC there are transitional provisions in place to allow ARIC to continue until the terms have been finalised.

COMMITTEE RESOLUTION 2021/24

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

1. That the Action Tables from Internal Auditor as presented to ARIC be received and noted.

CARRIED

GENERAL BUSINESS

MR COLREAVY SAID HE WAS VERY DISAPPOINTED TO DISCOVER THAT THE PERFORMANCE IMPROVEMENT ORDER, AS HE APPENDS THESE DOCUMENTS TO THE REPORT TO THE MINISTER AND TO THE CEO OF THE OFFICE OF LOCAL GOVERNMENT. HE SAID HE HAD BEEN GIVEN THESE DOCUMENTS THROUGH 4 GENERAL MANAGERS OR ACTING GENERAL MANAGERS AND HE ASSUMED HE COULD RELY ON THE ADVICE HE WAS RECEIVING.

THE CHAIR COMMENDED THE ACTING GENERAL MANAGER FOR TAKING THE APPROACH HE HAD AND NOTED THAT WITH THIS THE ORGANISATION CAN MOVE FORWARD.

8 NEXT MEETING

To be advised

9 CLOSE

The Meeting closed at 1.57pm.

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

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CHAIRPERSON

