



MINUTES

**Audit, Risk and Improvement
Committee Meeting
Thursday, 10 March 2022**

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 21 October 2021	3
7.4	PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS, ENGAGEMENT CLOSING REPORT AND MANAGEMENT LETTER FOR THE YEAR ENDED 30 JUNE 2020	4
5	Business Arising	7
6	Reports	7
7.1	CIP SELF ASSESSMENT REPORT	7
7.2	MARKET STREET REVITALISATION PROJECT REVIEW 2021	8
7.3	ACTION TABLE UPDATE	9
7.5	BIDGEE HAVEN HOSTEL ANNUAL AGED CARE FINANCIAL RETURN	10
8	Next Meeting	11
9	Close	11

**MINUTES OF BALRANALD SHIRE COUNCIL
AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, MARKET STREET BALRANALD
ON THURSDAY, 10 MARCH 2022 AT 11AM**

1 OPEN**2 PRESENT**

Ms Rosanne Kava and Mr Simon Rule by zoom, Mr Damein Aidon in person

IN ATTENDANCE:

Keith Coates (Internal Auditor), Glenn Wilcox (Acting General Manager) and Carol Holmes (Senior Executive Officer) in person

Brett Hanger (External Auditor), Manuel Moncada (External Auditor) and Mr Mike Colreavy (Administrator) via zoom

3 APOLOGIES

Nil

4 MINUTES OF PREVIOUS MEETING**4.1 MINUTES OF THE AUDIT RISK AND IMPROVEMENT COMMITTEE MEETING HELD ON 21 OCTOBER 2021**

COMMITTEE RESOLUTION 2022/1

Moved: Mr Simon Rule

Seconded: Ms Rosanne Kava

That the Minutes of the Audit Risk and Improvement Committee Meeting held on 21 October 2021 as attached be confirmed as a true and correct copy.

CARRIED

MOTION

COMMITTEE RESOLUTION 2022/2

Moved: Ms Rosanne Kava

Seconded: Mr Simon Rule

That item 7.4 - Presentation of the Annual Financial Statement, Engagement Closing Report and Management Letter for the Year Ended 30 June 2020 be brought forward to allow discussion with auditors.

CARRIED

7.4 PRESENTATION OF THE ANNUAL FINANCIAL STATEMENTS, ENGAGEMENT CLOSING REPORT AND MANAGEMENT LETTER FOR THE YEAR ENDED 30 JUNE 2020

PURPOSE OF REPORT

To present to the Audit, Risk and Improvement Committee Council's 2020/21 Annual Financial Statements, as audited by Nexia Australia on behalf of the NSW Audit Office, pursuant to the Local Government Act (1993). Mr Brett Hanger, Nexia Australia and Mr Manuel Moncado, Audit Office NSW will be in attendance to answer any questions.

Discussion

The Chair asked if Ms Beauliv or the Acting General Manager would be presenting the report. Mr Wilcox advised that it was his intention that the General Manager would be the only senior staff member present at future ARIC Meetings.

Mr Wilcox, commented on the initial state of the accounts being in disarray; he thanked the Laurie, Edna and the External Auditors for their good work. Mr Wilcox indicated there is still work being undertaken and with the quarterly budget review hopefully it will be sorted out. He advised that Balranald will be using external contractors rather than internal staff to prepare the financial statements in the future.

Mr Moncada (External Auditor) stated that the previous year was challenging due to COVID restrictions and staff working remotely. There were some challenges with Senior Staff changes. Council did apply and was approved for an extension to end of January 2022 for the financial statements to be submitted, however they were submitted on 9 December 2021. Mr Moncada said he was very appreciative of Management's cooperation with the Auditors and that he had been happy to present to the Audit to the Administrator on 17 December 2021.

Mr Moncada pointed out one area that was identified as high risk in the Management letter. It is the Audit office position that the rural firefighting equipment specifically firetruck vehicles are controlled by Council and they should be recognised in Council's Financial Statements. This is consistent with the Local Government review of the Rural Fire Service and also an interpretation of Rural Fires Act 1997. He appreciated that Council holds a different view and it is not a unique view, however it is something that is reported across the sector.

Mr Moncada advised he has reported an unbiased unmodified opinion for Council's financial Statements for 2020-21. He mentioned that in the next Annual Engagement Plan (which is not available today, possibly at the next meeting) a comment will be included as a follow up from the Auditors given it is a high risk priority.

11.10am Mr Mike Colreavy joined the meeting via zoom.

Mr Brett Hanger highlighted some points of interest in the Engagement Report;

- Annual Engagement Report provides a summary of audit outcomes for the year.
- Section 3.4 refers to Management letter which was delivered in December
- Section 4.1 refers to key issues provided at the start of the year and how they are addressed from audit
- Section 4.2 shows uncorrected misstatements identified during the audit which are identified in the table.

There were only 2 new items identified in the Management letter;

1. Rural Fire Fighting Assets; and

2. the use of spreadsheets being used as an Assets Register which has risks associated with it. This should be addressed with the comprehensive revaluation of most asset categories happening this year and should drop off the management letter and resolve itself.

Mr Moncada pointed out there were 15 matters carried over from previous Management letters still to be dealt with. These will be followed up during the interim audit in 2022.

As far as the 2022 audit goes the auditors are currently in the process of preparing the Annual Engagement Plan and finalising dates view a view of having an interim audit in June and final audit in September and hitting the deadline of 30 October 2022.

Mr Moncada advised that the 2021 audit was an improvement on the 2020 audit and he is looking forward to a better audit for 2022, noting the involvement of external contractors which has assisted greatly.

11.15am Damein Aidon joined the meeting in person.

Mr Rule asked what stage is the Rural Fire service issue will result in those councils who aren't recognising those assets getting a qualified audit opinion.

Mr Moncada responded that materiality was an important factor. At this stage he is unaware of any Councils being qualified due to not reporting Rural Firefighting equipment. It was reported last year and wasn't considered material, and for that reason remained as high risk not extreme risk. The Audit office is holding discussions on this at the moment and will update the Committee when there is further information available.

Mr Wilcox advised that staff are in the process of preparing the 2022/2023 budget and have included Rural Fire Fighting Equipment for depreciation. He advised:

- the red fleet is over 10 years old, so the asset value is very low, approx \$100K
- we have buildings also
- our RFS region cannot tell us the full value of the assets, rakes, uniforms shovels etc.
- the value will continue to drop each year as we are not in line for any new vehicles.

The Chair noted that the Rural Fire Services levy comes up in the Audit every year. The Committee was advised that there are Service Agreements in place that are actively managed. Mr Wilcox advised that it is a shared cost with Wentworth Shire Council. The service agreement is updated every 3-5 years. He was not aware of whether it is in the contract register. This agreement sets out Council's contribution to rural fire services each year. Council budgets on an 11% contribution.

On the ability of Council to influence the content of the Fire Services Agreements, there were a range of views on the extent that Council could negotiate.

Mr Aidon asked if there was any State assistance available as the equipment could be quite costly. The State Government should assist councils with taking precautions against fire/flood. Losses of life is particularly concerning. Working as a team to provide the best outcome and be kept safe.

The Chair suggested Council might wish to ask RFS present to Council on its activities and have occasional briefings throughout the year to keep updated.

The Chair also remarked that regarding the Financial Statements that after 3 years of Council having to seek extensions to complete the annual audit, it is hoped that Council is now on track to present the financial statements on time this coming year.

COMMITTEE RESOLUTION 2022/3

Moved: Mr Simon Rule

Seconded: Mr Damein Aidon

1. That the following documents be received and noted:
 - a. Council's audited Annual Financial Statements for the year ended 30 June 2021
 - b. Engagement Closing Report for 30 June 2021 Financial Statement Audit
 - c. Management Letter for 30 June 2021 Financial Statement Audit.

CARRIED

The Chair congratulated everyone involved and thanked the external Auditors for the quality of work they provided. The staff were asked to leave the meeting whilst the committee and external Auditors had an *in camera* discussions at 11.40pm.

11.55am Staff members, Glenn Wilcox, Keith Coates and Carol Holmes re-joined the meeting.

The Chair reported that the *in camera* discussions between the External Auditors and the Committee had gone well with positive feedback received from the Auditors on the work done and with the professionalism of Hodi and the team that was engaged to complete the works. The Committee is looking forward to a very positive outcome and will be looking at the list of recommendations of the management letter with a preference to see that list reduced. With a major asset valuation occurring this year, the Committee will be looking with interest at the outcome of the report mid-year.

Mr Aidon thanked and congratulated the Shire staff on the works that had been completed.

MOTION

COMMITTEE RESOLUTION 2022/4

Moved: Mr Simon Rule

Seconded: Mr Damein Aidon

That the list of priorities from the Management letter be included in the Action list at the next ARIC Meeting.

CARRIED

Mr Wilcox advised the committee that Council is working towards adopting the Draft 2022/2023 budget. He advised Council would be closing off the accounts as of 30 May 2022 to enable the Budget to be uploaded into the system and to be ready to go by 1 June 2022. If the Engagement letter could come whilst Glenn is still Acting as General Manager it would be very much appreciated.

Mr Hangar advised that normally it doesn't get sent out until around 30 July.

Mr Wilcox suggested if we could get any advice within the next month would be fantastic, Mr Hangar advised that the Annual Engagement Report would definitely be completed within the month.

5 BUSINESS ARISING

Works Committee

Mr Wilcox advised that Council has established a Works Committee and have had one meeting, this committee is to keep track of works being completed by Council.

POLICIES

- 1ST ROUND OF POLICIES HAVE BEEN TO COUNCIL AND ALREADY BEEN ADOPTED, THESE BEING ON COUNCIL'S WEBSITE.
- 2ND ROUND OF POLICIES ARE GOING TO COUNCIL AT THE MARCH MEETING AND WILL BE SUBMITTED BACK FOR ADOPTION AT THE MAY COUNCIL MEETING.

REVISED TERMS OF REFERENCE

THE CHAIR ASKED IF THE REVISED AUDIT RISK AND IMPROVEMENT COMMITTEE TERMS OF REFERENCE COULD BE FORWARDED TO COMMITTEE MEMBERS.

WORKFORCE PLAN

MR WILCOX ADVISED THAT WORKFORCE PLAN AND STRATEGY IS GOING TO COUNCIL NEXT WEEK AND THAT IT WILL BE CIRCULATED TO AUDIT COMMITTEE WHEN ADOPTED.

6 REPORTS

7.1 CIP SELF ASSESSMENT REPORT

PURPOSE OF REPORT

To provide ARIC with a copy of the Statewide CIP Self-Assessment Report.

Mr Wilcox advised that Council is coming off very low based and staff are working with the insurers to rectify. Staff have now been training with State Wide Mutual Insurers and are improving with reporting.

The Chair enquired about Stormwater.

Mr Rule advised that previously Councils filled out a template and sent it back to insurers. Over the last couple of years the process changed and the Risk Assessment Insurers assisted Council and inspected.

COMMITTEE RESOLUTION 2022/5

Moved: Mr Damein Aidon

Seconded: Mr Simon Rule

That the Self-Assessment Report provided by Statewide Mutual Insurance be received and noted.

CARRIED

7.2 MARKET STREET REVITALISATION PROJECT REVIEW 2021

BACKGROUND OF REPORT

Advice was provided by the Internal Auditor Mr Coates to ARIC's last meeting of an investigation into project management.

Mr Wilcox advised

- that there was an ongoing Internal Audit on Market Street and it has been evident that Council was not complying with grant funding requirements.
- Mr Coates found several instances of overspending on grant monies.
- Council has self reported to the NSW Ombudsman and they have referred back to OLG with no further action. The staff involved in the grant and works are no longer working for Council.
- OLG have not reported back at this stage.
- Since this reporting another overspend has come to light.

The Chair enquired about the missing contract. Mr Coates advised that other documents and contracts have been on file and he believes that the missing contract was removed.

Mr Wilcox said that there were concerns around Records Management, whilst contracts register exists it was not kept up to date. The contract on file no longer exists. However, the Contractor had a copy as they used it to garnishee Council's bank account. Mr Wilcox reported that Council could have challenged the garnishee if Council went to court although it would have been embarrassing.

The Chair asked 'Could this happen again?' Mr Wilcox advised that it could happen again, although Council has updated its security system. It has been evident that previous staff did not use the Record System.

The Chair enquired about keeping original documents safe.

Mr Rule asked about the \$250K being moved to another job number?

The question was raised if Council should advise ICAC.

Mr Wilcox advised we only have been advised in the last day of the monies being moved from one grant to the other. He was not sure if it was ICAC level. Staff have records of requests to move it.

COMMITTEE RESOLUTION 2022/6

Moved: Ms Rosanne Kava

Seconded: Mr Simon Rule

1. That ARIC Note Councils action to submit the report to the NSW Ombudsman and Office of Local Government
2. That Council consider providing information on inappropriate reporting's to ICAC and OLG

.CARRIED

7.3 ACTION TABLE UPDATE

PURPOSE OF REPORT

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

Discussion

Mr Rule requested that the action table include an extra column with a completion date for outstanding items. Mr Coates undertook to add the column to his next report.

Mr Wilcox indicated that a lot of the incomplete items will continue to drop off very shortly.

Mr Colreavy advised that these documents will be included in the new General Manager's Performance Review. He reports on these items to OLG in his regular reports.

COMMITTEE RESOLUTION 2022/7

Moved: Mr Damein Aidon

Seconded: Mr Simon Rule

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

CARRIED

7.5 BIDGEE HAVEN HOSTEL ANNUAL AGED CARE FINANCIAL RETURN

PURPOSE OF REPORT

The purpose of the Bidgee Haven Hostel Aged Care Financial Report is to provide the Audit, Risk & Improvement Committee with information on the Annual Aged Care Financial Return.

Discussion

Mr Hangar only commented on the lateness of the report.

Mr Wilcox advised that Council is currently looking at the Hostel very seriously to ascertain whether it is being correctly funded and whether it should be extended to cater for dementia residents. External assistance has been sought and inspection of other similar Hostels is planned.

Mr Colreavy advised

- that Council will continue to have the grant on hold whilst doing reviews, we are not going to have another fiasco like Market Street grant funding.
- as a business the Hostel should be breaking even, not relying on Council.
- No business case was prepared before putting in the Development Application
- Council would be better off if an external provider could be found.

Mr Wilcox advised

- the main issue was accepting the grant of over \$6M by adding more beds, employing more staff, when the business was heading in the wrong direction.
- Council is not in a position to recommend to the Administrator to extend the facility at this stage.
- The Commonwealth Government will need to be advised what is happening with the funds and facilities shortly.

It was pointed out to the Committee that there were high risks of doubling the size of the facility with the introduction of high dependency patients. The option of continuing to run a 15 bed facility was raised, noting approximately \$100K of grant money had already been spent. The community would not be in favour of divesting or selling the facility. The Committee was advised that OLG agrees with Council's view but can't convince the community of this solution.

Mr Rule noted the difficulty for many Councils to continue to use ratepayers money to subsidise such facilities.

COMMITTEE RESOLUTION 2022/8

Moved: Ms Rosanne Kava

Seconded: Mr Simon Rule

That the report be received and noted.

CARRIED

1pm Keith Coates left the room

Internal Auditor's Contract Extension

Mr Wilcox advised the Committee that Keith Coates' contract to undertake Council's internal audits expired in December 2021. He asked the Committee to support an extension of Mr Coates contract by 2 years.

Mr Wilcox suggested that the Mr Coates contract be extended for a further 2 years as Internal Auditor.

The Committee agreed to recommend to Council the proposed two year extension of the Internal Auditor contract, as its important to give Council a level of stability.

Self Assessment by Members of ARIC

The Chair enquired about a Self-Assessment of Audit Committees and Mr Wilcox said he would get hold of a template model to view.

ARIC Chair Report to Council

Mr Rule asked if the Chair of Audit Committee reports to Council. An annual report is required under the Terms of Reference.

Designated Persons

Mr Rule advised the OLG are working on new guidelines and Audit Committee Members will be designated persons. The Chair asked Council to provide all Committee Members with a copy of the Designated persons template for completion.

The Chair thanked all for attending and thanked the Auditors, Glenn Wilcox and his team for all the work completed.

The Chair thanked all for attending and thanked the Auditors, Glenn Wilcox and his team for all the work completed.

8 NEXT MEETING

The next meeting is scheduled for 23 June 2022 commencing at 11am

9 CLOSE

The Meeting closed at 1.10pm.

The minutes of this meeting were confirmed at the Audit Risk and Improvement Committee Meeting held on 23 June 2022.

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CHAIRPERSON