

NOTICE OF MEETING



INTERNAL AUDIT ADVISORY COMMITTEE MEETING

An Internal Audit Advisory Committee Meeting of Byron Shire Council
will be held as follows:

Venue	Conference Room, Station Street, Mullumbimby
Date	Thursday, 12 November 2015
Time	11.00am

A handwritten signature in black ink, appearing to read 'Mark Arnold', is located below the meeting details.

Mark Arnold
Director Corporate and Community Services

I2015/1369
Distributed 05/11/15
Amended 11/11/15

CONFLICT OF INTERESTS

What is a “Conflict of Interests” - A conflict of interests can be of two types:

Pecuniary - an interest that a person has in a matter because of a reasonable likelihood or expectation of appreciable financial gain or loss to the person or another person with whom the person is associated.

Non-pecuniary – a private or personal interest that a Council official has that does not amount to a pecuniary interest as defined in the Local Government Act (eg. A friendship, membership of an association, society or trade union or involvement or interest in an activity and may include an interest of a financial nature).

Remoteness – a person does not have a pecuniary interest in a matter if the interest is so remote or insignificant that it could not reasonably be regarded as likely to influence any decision the person might make in relation to a matter or if the interest is of a kind specified in Section 448 of the Local Government Act.

Who has a Pecuniary Interest? - a person has a pecuniary interest in a matter if the pecuniary interest is the interest of the person, or another person with whom the person is associated (see below).

Relatives, Partners - a person is taken to have a pecuniary interest in a matter if:

- The person's spouse or de facto partner or a relative of the person has a pecuniary interest in the matter, or
- The person, or a nominee, partners or employer of the person, is a member of a company or other body that has a pecuniary interest in the matter.

N.B. “Relative”, in relation to a person means any of the following:

- (a) the parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descends or adopted child of the person or of the person's spouse;
- (b) the spouse or de facto partners of the person or of a person referred to in paragraph (a)

No Interest in the Matter - however, a person is not taken to have a pecuniary interest in a matter:

- If the person is unaware of the relevant pecuniary interest of the spouse, de facto partner, relative or company or other body, or
- Just because the person is a member of, or is employed by, the Council.
- Just because the person is a member of, or a delegate of the Council to, a company or other body that has a pecuniary interest in the matter provided that the person has no beneficial interest in any shares of the company or body.

Disclosure and participation in meetings

- A Councillor or a member of a Council Committee who has a pecuniary interest in any matter with which the Council is concerned and who is present at a meeting of the Council or Committee at which the matter is being considered must disclose the nature of the interest to the meeting as soon as practicable.
- The Councillor or member must not be present at, or in sight of, the meeting of the Council or Committee:
 - (a) at any time during which the matter is being considered or discussed by the Council or Committee, or
 - (b) at any time during which the Council or Committee is voting on any question in relation to the matter.

No Knowledge - a person does not breach this Clause if the person did not know and could not reasonably be expected to have known that the matter under consideration at the meeting was a matter in which he or she had a pecuniary interest.

Participation in Meetings Despite Pecuniary Interest (S 452 Act)

A Councillor is not prevented from taking part in the consideration or discussion of, or from voting on, any of the matters/questions detailed in Section 452 of the Local Government Act.

Non-pecuniary Interests - Must be disclosed in meetings.

There are a broad range of options available for managing conflicts & the option chosen will depend on an assessment of the circumstances of the matter, the nature of the interest and the significance of the issue being dealt with. Non-pecuniary conflicts of interests must be dealt with in at least one of the following ways:

- It may be appropriate that no action be taken where the potential for conflict is minimal. However, Councillors should consider providing an explanation of why they consider a conflict does not exist.
- Limit involvement if practical (eg. Participate in discussion but not in decision making or vice-versa). Care needs to be taken when exercising this option.
- Remove the source of the conflict (eg. Relinquishing or divesting the personal interest that creates the conflict)
- Have no involvement by absenting yourself from and not taking part in any debate or voting on the issue as if the provisions in S451 of the Local Government Act apply (particularly if you have a significant non-pecuniary interest)

RECORDING OF VOTING ON PLANNING MATTERS

Clause 375A of the Local Government Act 1993 – Recording of voting on planning matters

- (1) In this section, **planning decision** means a decision made in the exercise of a function of a council under the Environmental Planning and Assessment Act 1979:
 - (a) including a decision relating to a development application, an environmental planning instrument, a development control plan or a development contribution plan under that Act, but
 - (b) not including the making of an order under Division 2A of Part 6 of that Act.
- (2) The general manager is required to keep a register containing, for each planning decision made at a meeting of the council or a council committee, the names of the councillors who supported the decision and the names of any councillors who opposed (or are taken to have opposed) the decision.
- (3) For the purpose of maintaining the register, a division is required to be called whenever a motion for a planning decision is put at a meeting of the council or a council committee.
- (4) Each decision recorded in the register is to be described in the register or identified in a manner that enables the description to be obtained from another publicly available document, and is to include the information required by the regulations.
- (5) This section extends to a meeting that is closed to the public.

BYRON SHIRE COUNCIL
INTERNAL AUDIT ADVISORY COMMITTEE MEETING

BUSINESS OF MEETING

1. APOLOGIES

2. DECLARATIONS OF INTEREST – PECUNIARY AND NON-PECUNIARY

3. ADOPTION OF MINUTES FROM PREVIOUS MEETINGS

3.1 Internal Audit Advisory Committee Meeting held on 22 October 2015

4. BUSINESS ARISING FROM PREVIOUS MINUTES

5. STAFF REPORTS

Corporate and Community Services

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STAFF REPORTS - CORPORATE AND COMMUNITY SERVICES

Report No. 5.1 Internal Audit Report November 2015

Directorate: Corporate and Community Services

Report Author: Mark Arnold, Director Corporate and Community Services

File No: I2015/1248

Theme: Corporate Management
Governance Services

Summary:

This report has been prepared to allow the Internal Audit Committee to consider the Internal Audit Report (November 2015) prepared by the Internal Auditor, Grant Thornton.

RECOMMENDATION:

That the Internal Audit Committee recommend to Council:

That Council receive and note the Internal Audit Report – Audit Committee (November 2015) (#E2015/73742) prepared by the Internal Auditor, Grant Thornton.

Attachments:

- 1 Confidential - Internal Audit Report 12 November 2015 prepared by Grant Thornton, E2015/73742

Report

This report has been prepared to allow the Internal Audit Committee to consider the Internal Audit Report (November 2015) prepared by the Internal Auditor, Grant Thornton.

A copy of the Internal Audit Report has been included as Attachment 1 to this report.

The Internal Audit Report has been prepared and it includes an update on the following:

- Status of Agreed Actions from Prior Audits
- Status update on the implementation of agreed actions from previous Internal Audit Review Reports.

The Internal Auditor will be available at the meeting to answer any questions associated with the Report.

The following Resolution was adopted by Council at its Ordinary meeting held on 20 August 2015.

“15-429 Resolved that the next Internal Audit Report – Audit Committee (12 November 2015) to the Internal Audit Committee, include an update on the target dates and explanation on the implementation of the Audit Recommendations, with regard to resources required and/or available.”

Financial Implications

There no financial implications associated with this report.

Statutory and Policy Compliance Implications

The performance of the Internal Audit Services is required to be undertaken in accordance with the terms and conditions of Internal Audit Services Contract 2013-0024. These terms and conditions require consideration of the NSW Department of Premier and Cabinet, Division of Local Government, Internal Audit Guidelines and compliance with the associated professional accounting and audit standards.

Report No. 5.2 **Meeting Dates for Internal Audit Committee for 2016**
Directorate: Corporate and Community Services
Report Author: Mark Arnold, Director Corporate and Community Services
File No: I2015/1301
5 **Theme:** Corporate Management
 Governance Services

Summary:

10 The purpose of this report is to schedule the meeting dates for the Internal Audit Committee for 2016.

RECOMMENDATION:

That the Internal Audit Committee adopt the following dates for the Internal Audit Committee meetings for 2016, with all meetings commencing at 11.00am:

- Thursday, 18 February 2016
- Thursday, 12 May 2016
- Thursday, 18 August 2016
- Thursday, 20 October 2016
- Thursday, 10 November 2016.

Report

The Internal Audit Committee's constitution directs that the committee will meet at least four times per year or more frequently as circumstances require.

5 In preparing the list of tentative meeting dates, consideration has been given to the previous years Audit Plan for Council's Financial Statements, prepared by the External Auditor, Thomas Noble Russell ("TNR").

10 Consideration has also been given to the Audit Reviews to be scheduled in the 2016 Internal Audit Plan prepared by the Internal Auditor, Grant Thornton.

Consideration has also been given to the proposed Schedule of Ordinary Meetings for 2016.

15 In accordance with this process the following meeting dates are proposed:

Tentative Internal Audit Committee meeting dates

- 20 • Thursday, 18 February 2016
- Thursday, 12 May 2016
- Thursday, 18 August 2016
- 25 • Thursday, 20 October 2016
- Thursday, 10 November 2016

30 The external Financial Reports will be reported to the 20 October 2016 Internal Audit Committee meeting.

Financial Implications

35 Council in the adoption of the 2015/16 Budget allocated an amount of \$15,400 for Internal Audit Committee expenses, with the same amount forecast for the 2016/17 Budget. There are no financial implications anticipated as a result of this report.

Statutory and Policy Compliance Implications

40 The meetings are to be scheduled in accordance with the provisions of Internal Audit Committee's constitution.

Report No. 5.3 **Internal Audit Report - Inventory Control Review**
Directorate: Corporate and Community Services
Report Author: Mark Arnold, Director Corporate and Community Services
File No: I2015/1356
5 **Theme:** Corporate Management
 Financial Services

Summary:

10 Council's Internal Auditors, Grant Thornton, conducted a review of Council's Inventory Control function during September 2015.

15 The purpose of this report is to table the Internal Audit Report on the Work, Health and Safety Review, with alternate recommendations from management, for consideration by the Internal Audit Advisory Committee. A copy of the Report is included at Attachment 1.

20 The report includes the findings made by Grant Thornton and responses from Management to the findings.

RECOMMENDATION:

That the Internal Audit Report – Inventory Control Review - September 2015 be noted by Council along with responses and actions detailed by Management.

Attachments:

25 1 Confidential - Internal Audit Report - Inventory Control Review - prepared by Grant Thornton, E2015/71482

Report

Council's Internal Auditors, Grant Thornton, conducted a review of Council's Inventory Control function during September 2015. This review was part of the adopted Internal Audit Plan for Council.

The purpose of this report is to table the Internal Audit Report on the Inventory Control Review, together with management's recommendations, for consideration by the Internal Audit Advisory Committee. A copy of the Report is included at Attachment 1.

The report by Grant Thornton provides an overall rating, which has been categorised as 'Needs Improvement'. A rating of *Needs Improvement* is defined as "*Significant control weaknesses were noted which if not addressed, may result in material exposure*".

Identified in the Internal Audit Report – Inventory Control Review - September 2015 were eight (8) findings, summarised as follows with associated rating to identify their significance:

- Segregated Stores Operations (Rating: High)
- Stock Monitoring Reports (Rating: High)
- Fuel Monitoring (Rating: High)
- Minimum Stock Levels (Rating: Moderate)
- Environmental Emergency Stock Items (Rating: Moderate)
- New Stock Items (Rating: Moderate)
- Store Requisition Forms (Rating: Moderate)
- Physical Security (Rating: Low)

In regard to the ratings to identify the significance identified in the report, the following definitions are applied:

- Rating: High – Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objective
- Rating: Moderate – Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives
- Rating: Low – Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives

Management has included comments in relation to each of the recommendations.

The review of the Inventory Control function, through the independent audit undertaken by Grant Thornton, has been welcomed and has assisted in the identification of better practices and process improvement.

Financial Implications

There are no financial implications associated with this report. There may be financial implications resulting from the implementation of the recommendation from the Internal Auditor, which will be met from existing budgets or where required reported to Council for the allocation of budget, to implement the recommendation or actions determined as a result of any investigation.

Statutory and Policy Compliance Implications

This Review was undertaken in accordance with the adopted Internal Audit Strategy and Audit Plan.