

# NOTICE OF MEETING



## INTERNAL AUDIT ADVISORY COMMITTEE MEETING

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

Venue	<b>Conference Room, Station Street, Mullumbimby</b>
Date	<b>Thursday, 12 May 2016</b>
Time	<b>11.00am</b>

A handwritten signature in black ink that reads 'Mark Arnold'.

Mark Arnold  
Director Corporate and Community Services

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## 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)

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## 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 18 February 2016

**4. BUSINESS ARISING FROM PREVIOUS MINUTES**

**5. STAFF REPORTS**

**Corporate and Community Services**

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5.3	Internal Audit Report May 2016.....	10

**6. CONFIDENTIAL REPORTS**

**Corporate and Community Services**

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STAFF REPORTS - CORPORATE AND COMMUNITY SERVICES

**Report No. 5.1 RMS DRIVES System Compliance Audit 2016**

**Directorate:** Corporate and Community Services

5 **Report Author:** Mark Arnold, Director Corporate and Community Services

**File No:** I2016/213

**Theme:** Corporate Management  
Financial Services

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**Summary:**

Council's External Auditors, Thomas Noble Russell have undertaken an independent audit of the compliance by Council with the Maritime Services NSW, DRIVES Terms of Access Agreement.  
15 The Audit measured the compliance achieved by Council against the RMS DRIVES guidelines for the period from 1 February 2015 to 31 January 2016.

This compliance audit is a requirement of Section 4.3 of the RMS DRIVES Terms of Access Agreement.

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Council under the Access Agreement is responsible for compliance to the Agreement.

The purpose of this report is to table the Independent Compliance Audit Report for consideration by the Internal Audit Committee. A copy of the report is attached at Attachment 1.

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The report includes the findings made by Thomas Noble Russell and the actions being taken by Management to address the findings.

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**RECOMMENDATION:**

1. **That the Independent Compliance Audit Report – Compliance with the Roads and Maritime Services of NSW DRIVES Terms of Access Agreement be noted by Council, including the responses and actions detailed by Management.**
2. **That Management implement the recommendations detailed in the report and also identified at Attachment 1 (E2016/14855).**

**Attachments:**

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- 1 Confidential - Independent Compliance Audit Report RMS DRIVES, E2016/14855

**Report**

5 The Vehicle Registration and Driver Licensing System known as DRIVES24 is the electronic records management system operated by the Roads and Maritime Services NSW (RMS) which processes and records vehicle registrations and driving licences. Because this system records individuals' personal information, access is restricted.

On 12 February 2014 the Roads and Maritime Services NSW (RMS) approved Councils application for access to the DRIVES 24 system (Access Agreement). The approval is for a period of five years ie until 12 February 2019.

10 Access to the system is restricted to nominated members of the Regulatory Services Team (Authorised Users) and under the Access Agreement the Legal Services Co-ordinator is the appointed Security Administrator.

The Access Agreement provides for Authorised Users to access the records held in DRIVES24 for the purpose of enforcing the:

- 15
1. *Road Rules 2008*
  2. *Protection of the Environment Operations Act 1998*
  3. *Local Government Act 1993*
  4. *Impounding Act 1993*
  5. *Companion Animals Act 1988*

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Compliance with the Access Agreement is a condition of the Agreement.

An independent compliance audit is a requirement of Section 4.3 of the Access Agreement.

25 Council's External Auditors, Thomas Noble Russell have undertaken an independent audit of the compliance by Council with the Access Agreement. The Audit measured the compliance achieved by Council against the RMS DRIVES guidelines for the period from 1 February 2015 to 31 January 2016.

30 The audit to which this report refers is the third Independent Audit which has been undertaken.

The purpose of this report is to table the Independent Compliance Audit Report for consideration by the Internal Audit Committee. A copy of the report is attached at Attachment 1.

35 The report includes the findings made by Thomas Noble Russell and the actions being taken by Management to address the findings. The Independent Audit Report provides an unqualified opinion that Council has complied, in all material respects with the RMS DRIVES Terms of Access Agreement as measured by the RMS DRIVES guidelines for the period from 1 February 2015 to 31 January 2016.

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No Breaches were identified, however the Audit identified in Section 1.5(a) that Council's Guidelines for DRIVES24 use had not been signed by 2 officers. The circumstances were explained and accepted by the auditor.

45 The auditor's recommendation is that Council remove the access rights for these users.

In accordance with the auditor's recommendation the Security Administrator has requested the RMS System Administer for DRIVES24 to have both users deleted as registered users of the system.

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Council on 25 February 2016 received confirmation that this request had been actioned and the users have had their accounts deleted. Council has removed the access rights for these users.

**Financial Implications**

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The action identified will be implemented within budget allocated in the 2015/16 Budget.

**Statutory and Policy Compliance Implications**

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

**Report No. 5.2**                    **Internal Audit Report - Development Assessments Review**  
**Directorate:**                    Corporate and Community Services  
**Report Author:**                Mark Arnold, Director Corporate and Community Services  
**File No:**                         I2016/450  
5 **Theme:**                         Corporate Management  
    Governance Services

**Summary:**

10 Council's Internal Auditors, Grant Thornton, conducted a Development Assessments Internal Audit Review during February 2016.

15 The purpose of this report is to table the Internal Audit Report on the Development Assessments Review. A copy of the Report is included at Attachment 1.

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

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**RECOMMENDATION:**

1. **That the Internal Audit Report – Development Assessments Review - February 2016 at Attachment 1 (#E2016/28082) be noted by Council along with responses and actions detailed by Management.**
2. **That Management implement the recommendations made in the report identified at Attachment 1 (#E2016/28082).**

20 **Attachments:**

- 1 Confidential - Internal Audit Report - Development Assessments Review February 2016, E2016/28082

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**Report**

5 Council’s Internal Auditors, Grant Thornton, undertook an Internal Audit Review of Development Assessments during February 2016. This review was part of the adopted Internal Audit Plan for Council.

10 The purpose of this report is to table the “*Internal Audit Report – Development Assessments Review - February 2016*” for consideration by the Internal Audit Committee. A copy of the report is attached at Annexure 1.

15 The report includes the findings made by Grant Thornton and responses from Management to the findings. The report by Grant Thornton provides an overall rating. The Review was given an overall rating of **Acceptable** (per definition meaning: “*Overall a good framework in place. Some improvements identified, which would further strengthen the overall control environment*”).

Further identified in “*Internal Audit Report – Development Assessments Review - February 2016*”, were the findings, which have been detailed below, along with the associated rating to identify the significance of each finding.

20 Detailed Findings

- 1. Policies and Procedures (Rating: **Moderate**)
- 2. Development Application Fee Calculator (Rating: **Moderate**)
- 3. Delegations of Authority (Rating: **Performance Improvement**)
- 25 4. Online Development Application Lodgement (Rating: **Performance Improvement**)

In regard to the ratings, to define the significance of each finding identified in the report, the following definitions are provided:

Ratings	Definition
Critical	Issue represents a control weakness, which could cause or is causing severe disruption of the process or severe adverse effect on the ability to achieve process objectives.
High	Issue represents a control weakness, which could have or is having major adverse effect on the ability to achieve process objectives.
Moderate	Issue represents a control weakness, which could have or is having significant adverse effect on the ability to achieve process objectives.
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.
Performance Improvement	Performance improvements are generally associated with control design. Performance improvement observations do not include control weaknesses and, therefore, are not implicitly internal audit findings.

30 **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**

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

**Report No. 5.3**                    **Internal Audit Report May 2016**  
**Directorate:**                    Corporate and Community Services  
**Report Author:**                Mark Arnold, Director Corporate and Community Services  
**File No:**                         I2016/461  
5 **Theme:**                         Corporate Management  
    Governance Services

**Summary:**

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This report has been prepared to allow the Internal Audit Committee to consider the Internal Audit Report (May 2016) prepared by the Internal Auditor, Grant Thornton.

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**RECOMMENDATION:**

**That Council receive and note the Internal Audit Report – Audit Committee (May 2016) (#E2016/29083) prepared by the Internal Auditor, Grant Thornton.**

**Attachments:**

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1      Confidential - Internal Audit Report May 2016, E2016/29083

**Report**

This report has been prepared to allow the Internal Audit Committee to consider the Internal Audit Report (May 2016) prepared by the Internal Auditor, Grant Thornton.

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

The Internal Audit Report has been prepared to include an update on the following:

- 10
- Status of Agreed Actions from Prior Audits
  - Status update on the implementation of agreed actions from previous Internal Audit Review Reports.

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

**Financial Implications**

20 There no financial implications associated with this report.

**Statutory and Policy Compliance Implications**

25 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.

**CONFIDENTIAL REPORTS - CORPORATE AND COMMUNITY SERVICES**

**Report No. 6.1**                    **CONFIDENTIAL - 2015/2016 Audit Strategy**  
**Directorate:**                    Corporate and Community Services  
5 **Report Author:**                James Brickley, Manager Finance  
**File No:**                         I2016/402  
**Theme:**                         Corporate Management  
   Financial Services

10 **Summary:**

Council's external Auditors Thomas Noble and Russell have submitted their Final Audit Strategy to Council for the 2015/2016 Financial Year.

15 This report is prepared to present the 2015/2016 Final Audit Strategy for Council to the Internal Audit Advisory Committee.

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20 **RECOMMENDATION:**

1. **That pursuant to Section 10A(2)(d)i of the Local Government Act, 1993, Council resolve into Confidential Session to discuss the report 2015/2016 Audit Strategy.**
2. **That the reasons for closing the meeting to the public to consider this item be that the report contains:**
  - a) **commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it**
3. **That on balance it is considered that receipt and discussion of the matter in open Council would be contrary to the public interest, as:**

30 **Potential to prejudice the commercial position of Council's External Auditors as the strategy outlines what audit activities are to be conducted as part of their service tender to Council along with the expected audit fee.**

35 **Attachments:**

- 1 Confidential - Final Audit Strategy Byron Shire Council 2016, E2016/26821

**Report No. 6.2**                    **CONFIDENTIAL - Annual Internal Audit Plan 2016/17**  
**Directorate:**                    Corporate and Community Services  
**Report Author:**                Mark Arnold, Director Corporate and Community Services  
**File No:**                         I2016/462  
5 **Theme:**                         Corporate Management  
    Governance Services

**Summary:**

10 This report has been prepared to present to the Internal Audit Committee the “*Annual Internal Audit Plan 2016/17*” prepared by Grant Thornton.

15 Annual Internal Audit Plan 2016/17 is submitted to the Internal Audit Committee for approval.

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**RECOMMENDATION:**

- 20 1. That pursuant to Section 10A(2)(d)i of the Local Government Act, 1993, Council resolve into Confidential Session to discuss the report Annual Internal Audit Plan 2016/17.
- 25 2. That the reasons for closing the meeting to the public to consider this item be that the report contains:  
a) commercial information of a confidential nature that would, if disclosed prejudice the commercial position of the person who supplied it
- 30 3. That on balance it is considered that receipt and discussion of the matter in open Council would be contrary to the public interest, as:  
the report contains commercial information of a confidential nature that would, if disclosed, prejudice the commercial position of the person who supplied it.

**Attachments:**

- 35 1 Confidential - Annual Internal Audit Plan 2016/17, E2016/29089