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Promoting Better Practice Program

REVIEW REPORT

JUNEE SHIRE COUNCIL

MARCH 2012



Division of Local Government
Department of Premier and Cabinet

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EXECUTIVE SUMMARY

Council faces a major challenge to achieve sustainable future operating surpluses based on the previous deficit balances in three of the past four years. The continuing operating losses from the Junee Recreation and Aquatic Centre places significant financial pressures on Council. In 2009/10 the facility had an operating loss of \$643,000 which represented 64% of Council's operating deficit. An overall strategy for improving its financial and management performance in the current term must be addressed or Council's position will become unsustainable.

Junee Shire Council appears to be, despite budgetary and limited resource constraints, generally performing well with the majority of its practices being at an acceptable and satisfactory standard. The introduction of Integrated Planning and Reporting in July 2012 will assist Council to further improve governance arrangements and a more structured operating environment.

Senior staff are well qualified and experienced. Members of the Executive team provide valuable input to the General Manager and Council. Staff turnover is low and there is a good knowledge base within Council. Due to the small staff numbers, expertise is not always available in such areas as community development and governance. However, the association with surrounding councils in outsourcing these skills has provided options for additional skills.

An innovative, group approach with surrounding councils to internal audit has been trialled over the past three years. Council should satisfy itself as to the efficacy of any initiatives taken by the group such as procurement relating to the direct appointment of the consultant without public tender and transparency of other administrative arrangements.

Council needs to ensure that it has a robust process for the regular review of its policies. These policies are a key for achieving good governance. This will ensure that there are clear links and a structure that clearly dictates how Council's functions all fit together to deliver services to its community. An improved and cohesive policy and procedure framework will also support Council's pathway to meeting the Integrated Planning and Reporting requirements.

Some of the challenges facing Junee Shire Council in the future will include: working towards an operating surplus and financial sustainability, continuing to address the

potential decline in population towards larger centres such as Wagga Wagga and replacing the experienced retiring councillors with high quality representation. Strategies for the sustainable future will be required and Council should concentrate on policy development and revenue opportunities.

Overall, given that Junee Shire Council is a very small council with limited resources and budgetary constraints, it appears to be operating well, successfully engages with its community and has set up strong strategic alliances with its surrounding councils.

Council Response

The reviewer is right to point out the challenges that Junee Shire Council will face to remain sustainable. And the guidance given in the areas covered by the review will be invaluable in spurring the Council to improve its practices. But we have to say that there is a tone to the summary which is of a glass-half-empty nature and the reviewer has said some of the right things for the wrong reasons.

There are four years 2006 – 2010 in which the Council is said to have had four operating deficits before capital amounts. There were in fact three. And in the year ending June 2011 there was a surplus of \$380 000 (acknowledged on p9). In the three years 2003 – 2006 there were three surpluses, for a total of five surpluses from eight years.

The Executive Summary dived straight into a criticism of the Junee Junction Recreation and Aquatic Centre (Recreation Centre): ‘...an operating loss of \$643 000 which represented 64% of Council’s operating deficit’. This stems from four mentions in the body of the report using the same words – p9, p15, -33 and p35. Overegging the pudding?

Granted, the Recreation Centre is easily separated and identified as a business activity but it should be treated no differently to other services the Council offers. In addition, it is invalid to state one activity’s operating loss as a percentage of deficit – as a percentage of total expenses from continuing operations perhaps. One might as easily have stated ‘depreciation and impairment’ as 238% of the deficit.

We do not accept that by virtue of the Recreation Centre itself the Council is going to become unsustainable nor that the Centre’s strategic or even short-term management is somehow deficient. The Centre is a vital part of the town and Shire. Its development was the flagship of the amenity improvement which has been -

together with townscape improvement, parks and gardens improvements, medical centre building, library development, Athenium Theatre refurbishment and sporting ground improvement - the impetus for the sustainability of the Shire itself over the past decade-plus and into the future. It is those 'motivators' which are sustaining our modest population growth. This is not to say that our 'hygiene factors' are neglected either. And our residents have given the Council a 76% high satisfaction level in 2011. (2001 Junee Shire Council Community Survey, IRIS Research Ltd, September 2011, available at www.junee.nsw.gov.au)

All of the above has to do with the first paragraph. May we have some rationalisation of mention of the Recreation Centre and might it be put into proper context.

We are perplexed that Junee Shire Council is thought to be deficient in the area of community development (paragraph 3). As far as we can see, for example, we are on a par or better with four small councils which border us.

As for the group approach to internal audit (paragraph 4) we have not felt it necessary to report to the Division of Local Government given the Group Chairman's periodic communications with the DLG. The DLG has confirmed (Reference: A205996 dated 3 March 2010), that our arrangements comply with September 10 Guidelines. We are satisfied 'as to the efficacy of.....initiatives taken by the group'. The Group Chairman has also reported to the DLG again on 5 January 2012.

We agree that we need to dust off our policies and modernise them.

The second-last paragraph requires comment. We have already written of the surplus in the year 2010 – 2011, which marks a decade in which there was an overall surplus (in unadjusted dollars) of \$1.498 million. There are, granted, very substantial sustainability problems looming, and we badly need to increase revenue and trim our expenditure. There are some incorrect premises.

Our population is increasing at a modest rate. Looking at it through the bottom of a half-full glass, we are making the most of our proximity to Wagga Wagga not seeing it as a threat.

Is it really the task of a council to recruit 'high quality representation'?

We thank the reviewer for his generous last-paragraph comment but prefer the official appellation 'small' given that there are 25-plus NSW LGAs smaller than Junee.

Reviewer's comment

Council's comments are noted. Some recommendations have been removed and a number of recommendations have been completed. Where appropriate text within the report has been changed to reflect the feedback provided on the report.

PART I. BACKGROUND

1 ABOUT THE REVIEW

Review objectives

Promoting Better Practice Reviews have a number of objectives. The objectives include generating momentum for a culture of continuous improvement and the promotion of good governance and ethical conduct. The reviews are designed to act as a "health check", giving confidence about what is being done well and helping to focus attention on key priorities.

Review process

The process involves a contractor from IAB Services on behalf of the Department of Premier and Cabinet's Division of Local Government (the Division) evaluating the effectiveness and efficiency of the council's operations and giving feedback.

There are essentially five steps in a typical review - preparing, assessing, checking, analysing and reporting. The completion of a comprehensive self assessment checklist by the council is a key element in all PBP reviews.

The reviewer takes a risk based approach targeting resources to areas identified as core matters to be examined as part of a PBP review and those matters considered to be important having regard to the circumstances of an individual council. The reviewer does not examine every aspect of a council's operations.

All reviews involve checking compliance with a range of statutory requirements, examining appropriate practices and ensuring that council has frameworks in place to monitor its performance. All reviews seek to identify better and noteworthy practices and areas requiring improvement or further development.

The reviewer examines local circumstances in order to understand the pressures on council and how the council has sought to manage that environment.

The scope of the review report is limited to documenting those areas the reviewer identified as:

- exceeding good practice (referred to as better practice)
- in need of improvement or further development

- otherwise noteworthy for the reasons detailed in the body of the report.

SIGNIFICANT OBSERVATIONS	DESCRIPTION
Better practice	<ul style="list-style-type: none"> • Beyond or above minimum compliance requirements and good practice indicators. • Innovative and/or very effective. • Contributes to continuous improvement within the sector.
In need of improvement or further development	<ul style="list-style-type: none"> • Does not satisfactorily meet minimum compliance and good practice indicators and may impact negatively on council operations. • Significant improvement initiatives that are in progress and which need to be continued.
Otherwise noteworthy	<ul style="list-style-type: none"> • May include successful initiatives which respond effectively to local circumstances or practice that is in other ways significant for the council/community. • Practice which in general exceeds good practice but may have some aspects that require fine tuning.

Junee Shire Council Review

Junee Shire Council was asked to complete a comprehensive checklist/questionnaire about key Council practices. The reviewer was Ian Melville, contractor with IAB Services acting on behalf of the Division. Mr Melville examined these and a range of other source documents prior to visiting Council, in order to gain a preliminary understanding of the circumstances of Council and how the Council is responding.

The on-site component of the review took place in June 2011. It involved initial interviews with the General Manager, interviews with the three (3) Directors and a cross section of staff, observation of an ordinary Council meeting, a review of Council policies and other documents and visits to Council's works and some localities in the area.

Implementation and monitoring of recommendations of final report

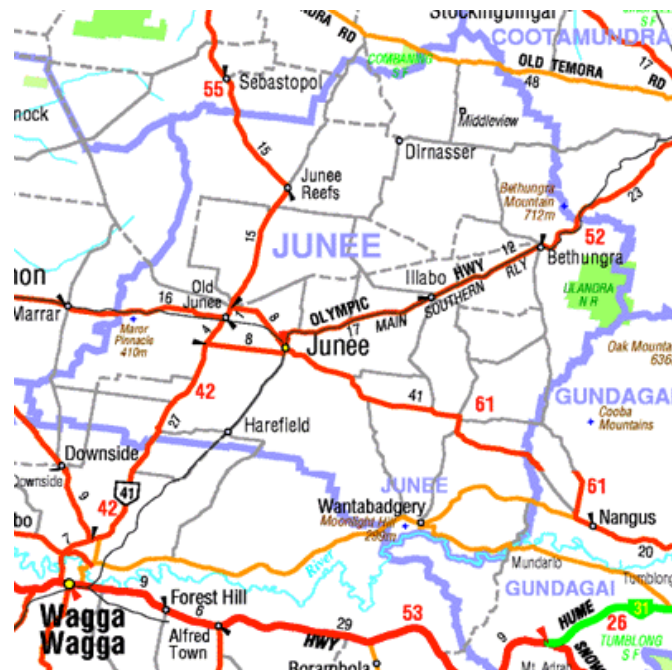
While the overall assessment is that the Council appears to be generally performing satisfactorily, there are some important issues that the Council will need to address for the future. The review has identified a number of opportunities for improvement that the Council needs to address. Council has identified its intended actions in implementing the recommendations in the Action Plan contained at the back of this Report. It is noted that Council has already taken action to implement a number of the recommendations and the action plan has been marked accordingly. Council is asked to report to the Division in six months time on its progress towards implementing these recommendations.

2 ABOUT THE COUNCIL AND THE AREA

Location and demographics

Junee is a rural town of 6283 people in the adjusted Census figures, situated 320 metres above sea-level located on the Olympic Way 41 km north-east of Wagga Wagga on the South Western Slopes of NSW and 60 km west of Gundagai. The Council covers an area of 2045km² with its centre in the township of Junee and surrounding smaller towns and villages of Bethungra, Illabo, Old Junee, Junee Reefs, Wantabadgery and Dirnaseer.

Junee Shire is bordered by five (5) other local government areas of Temora, Cootamundra, Gundagai, Coolamon and Wagga Wagga.



Although the town of Junee was initially a rural village reliant strongly on the location of the railway, the decline of the strategic role of the largest operational roundhouse in the Southern hemisphere, has led to a change in focus for the Shire. Employment has diversified considerably, with a correctional facility and abattoir the largest employers. Today, the Shire is recognised as a lifestyle choice with modern housing and low cost urban and rural residential land that attracts a wide range of people to reside in it. It has a relatively short commute to Wagga Wagga, the largest inland city in NSW, allowing access to industrial estates, University, defence force bases and many other career opportunities.

Local issues

The Junee LGA experienced a significant decline in population in the 1980s and early 1990s with the closure of many of the Junee railway related functions. Population has regrown at a modest rate since the mid-late 90s.

Some of the early regrowth was of low-income earners and social welfare recipients. According to ABS statistics there is a high percentage of these categories making it one of the most socially disadvantaged LGAs in the Riverina. Employment opportunities are relatively prolific but often unsuitable for take-up. Four villages have challenging futures.

Sales in Council-developed subdivisions – urban and rural residential – came to a sudden halt at the same time as the occurrence of the Global Financial Crisis. An easing of this is necessary to regain momentum in the Council's population growth trend and to ease Council's finances.

The Junee Recreation and Aquatic Centre has been an innovative approach by Council to offer health and community support to the community to increase health awareness of individuals and promote fitness and nutrition. This has come at a cost as the centre is continuing to experience significant operating losses that have impacted on Council's financial performance. While this has led to a deficit result for three of the past four years, in 2010/11 it is likely to report a small surplus due to increase grant monies from flood relief. In 2009/10 the facility had an operating loss of \$643,000 which represented 64% of Council's operating deficit.

Current Council

Council has nine (9) councillors, the majority of whom are experienced long term representatives, two of whom are female.

The Mayor is elected by the councillors and the Mayor at the time of the review was in her fifteenth year of service in this position.

Council staffing

There are eighty four (84) staff employed by the Junee Shire Council and there is a trend for low turnover resulting in a good knowledge base for Council. With restricted

opportunities available within the Junee township, Council's role as an employer and service provider is significant to the community. The contract for the Council's General Manager was recently extended until January 2013. The senior management team includes the Director, Corporate and Community Services, Director, Engineering Services and the Director, Development and Environmental Services. The Council's structure was last reviewed and adopted by the current Council in 2011.

Council Response

Council proposed a number of changes to the text.

Reviewer's comment

Council proposed text is noted. Where there were factual errors, these were amended accordingly. The date of the General Manager's contract extension has been corrected.

3 SUMMARY OF KEY FINDINGS

Better practices/Other noteworthy practices	Areas for improvement
STRATEGIC POSITION	
Early preparation of a community strategic plan.	
GOVERNANCE	
Use of strategic alliance to augment specialist staff resources.	Prepare a statement of Business ethics.
	Maintain a record of staff disclosures of pecuniary interests.
	Develop a procedure for staff and councillors obligations in relation to pecuniary interest.
	Develop an Enterprise wide Risk Management System (ERMS).
	Establish a method for internal reporting on legislative non compliance
	Undertake a systematic fraud risk assessment based on the updated Fraud Policy..
	Update the Procurement, Purchasing and Tendering Policy.
	Prioritise the monitoring and auditing of purchasing and tendering.
	Prepare an Information and Communication Technology Strategic Plan

Better practices/Other noteworthy practices	Areas for improvement		
PLANNING AND REGULATORY			
			Review local delegations for development assessment
			Develop an Enforcement and Prosecutions policy.
			Consider the preparation of a Companion Animals Plan.
ASSET AND FINANCIAL MANAGEMENT			
	Initiative in long term financial planning to inform the IP&R documentation.		Comply with Special Variations conditions
			Address the continuing operating deficit
			Prepare an Overdraft facilities policy
COMMUNITY, COMMUNICATION AND CONSULTATION			
	Preparation of a quality Tourism Plan and strategies.		Prepare a policy on Customer Service Standards to measure Council's response to client demand.
WORKFORCE RELATIONS			
			Prepare a Human Resources Policy and Procedures Manual.
			Consider conducting periodic employee attitude surveys.
			Prepare a Policy/Procedures document for recruitment
			Develop a training plan and budget under Clause 27 of the Local Government (State) Award 2010

Council Response

This will need to be adjusted to reflect the reaction to our submissions.

Reviewer's comment

Table adjusted accordingly.

PART II. PLANNING A SUSTAINABLE FUTURE

This part of the review focussed on Council’s strategic intent and how it has involved its communities and other stakeholders in developing long term strategic plans. The review assessed the clarity of Council’s strategic direction, whether its plans reflect a shared and realistic vision and its overall approach to corporate planning. Monitoring and reporting progress to promote continuous improvement was also an integral consideration in regard to Council’s performance in this area.

4 STRATEGIC PLANNING AND REPORTING

A new planning and reporting framework for NSW local government has been introduced to improve local councils’ long term community planning and asset management as well as streamline reporting to the community.

The new framework aims to improve the sustainability of local communities by encouraging councils, residents and State agencies to work together on long term plans. The community strategic plan is supported by a resourcing strategy that includes long term financial planning, asset management planning and workforce management planning. The framework is set out in the following diagram.



Overview

Early preparation of a Community Strategic Plan

Council displayed initiative in working with a consultant to develop a Community Strategic Plan which was adopted in June 2009 in readiness for the formal introduction of the Integrated Planning and Reporting framework. Council will be required to implement its integrated plans by 30 June 2012.

A Community Engagement Strategy was formulated in November 2008 to allow ratepayers and other stakeholders to inform the plan. A number of visioning workshops were held between November 2008 and March 2009. The Plan will now be tested against the requirements of the current format and this does give Council an advanced understanding of the process and to identify any areas that need to be further developed. Council is well advanced in reworking its Long Term Financial Plan and with the assistance of funding from the Division has also received mentoring assistance in a review of the Asset Management Plan.

Council is on schedule to meet the July 2012 deadline for the implementation of the Integrated Planning and Reporting framework.

Areas for improvement

Leadership and financial planning

The path towards implementing the Integrated Planning and Reporting Framework will present significant challenges to councillors and staff. Councillors are encouraged to demonstrate leadership in this process and to continue to set policy agendas to deliver the community outcomes that have been identified in the draft strategic document. Sound financial management will be the underlying foundation to allow these specific deliverables to be realised.

As previously identified (under Local Issues) the Junee Recreation and Aquatic Centre had an operating loss of \$643,000 in 2009/10 which represented 64% of Council's operating deficit. The current budgetary deficits must be addressed to ensure that Council has a sustainable future. Councillors in their strategic role, overseeing the future operations and prioritisation of services, need to set out a clear strategic direction for the management of this facility. It must ensure that the

continued operation of the Junee Recreation and Aquatic Centre does not adversely affect the financial sustainability of Council's fundamental responsibilities.

Council response

The last paragraph of p18 regarding the Recreation Centre has already been commented on. We simply do not accept the implication that somehow Councillors have not exercised strategic direction of the Recreation Centre or, indeed that, sound financial management has been lacking (previous paragraph).

Reviewer's comment

Council's comments are noted.

PART III. DELIVERING AND ACHIEVING

This part of the review focussed on examining key structures, systems and processes involved in delivering the stated outcomes of Junee's management plan. This included considering the means by which Council:

- governs its day to day operations;
- undertakes its planning and regulatory obligations;
- manages its assets and finances;
- involves the community; and
- recruits and retains its workforce.

5 GOVERNANCE

5.1 OVERVIEW

“Corporate governance refers to all the means by which entities are directed and controlled.” (Standards Australia, HB401-2004:12) Corporate governance is important because it enhances organisational performance; manages and minimises risks; increases the confidence of the community and the local government sector in the organisation; ensures that an organisation is meeting its legal and ethical obligations; and assists in the prevention and detection of dishonest or unethical behaviour.

5.1.1 Scope of review

- *Ethics and values*
- *Access to information*
- *Council policy making role*
- *Code of conduct*
- *Pecuniary Interest*
- *Business Ethics*
- *Business Continuity*
- *Risk management/ Internal audit*
- *Fraud Control*
- *Legislative compliance*
- *Procurement, disposal & tendering*
- *Expenses & Facilities*
- *Information technology/ communication*

5.1.2 Overview of Junee Council's governance practices

There are some important areas of governance practices where Junee Shire Council needs to focus its attention. It is recognised that due to the small staff numbers, expertise is not always available in such areas as governance. However, Council's association with surrounding councils in outsourcing these skills has provided options for additional skills. For example, Council has participated in an innovative group approach to internal audit with surrounding councils.

Council also needs to modernise and update the majority of its policies and procedures rather than using generic policies and procedures. Many of the policies reviewed had not been updated for a considerable time. These policies are a key for achieving good governance.

5.1.3 Significant Observations

Noteworthy practices

Ethics & Values

Council has developed a set of four (4) values with the community and councillors through the earlier preparation of a Strategic Plan. These values are:

- Proud and welcoming
- Innovative and progressive
- Inclusive
- Leadership and wisdom

Areas for improvement

Access to information

The Government Information (Public Access) Act 2009 (GIPA Act) applies to all NSW Government agencies, including local councils and county councils. It requires proactive information disclosure through mandatory publication and authorised release of 'open access information'.

Section 18 of the GIPA Act lists open access information that all agencies including local councils, must publish. In addition, the Government information (Public Access) Regulation 2009, Schedule 1, identifies the types of information that councils must publish, which is classified as open access information. Council is required to comply with the provisions of the GIPA Act and Regulations.

Council's website is currently being developed to ensure that Council will comply with the provisions of the GIPA legislation. The Council maintains a contract register for contracts with the private sector but this register is not live on the website as yet. The website shows policy content and facilitates comment and feedback under the 'Access to Council Information' link. Council is also currently in a 'cross-over stage' in relation to the disclosure log of access applications and compliance with GIPA.

Recommendation 1

Council should provide information in its contracts register as required by the GIPA Act on its website.

Council Response

The Contract Register is now available on the Council's website.

Reviewer's comment

It is confirmed that the Contract Register is available on Council's website. This recommendation is considered completed and the action plan has been marked accordingly.

Policy making role of councillors

Under section 222 of the Act the elected councillors comprise the governing body of Council. Section 223 sets out their role, which is to "direct and control the affairs of the council in accordance with this Act". Section 232 expands on this, indicating that the role of a councillor is, as a member of the governing body, to do four key things, one of which is "to play a *key role* in the *creation and review* of the council's policies and objectives and criteria relating to the exercise of the council's regulatory functions". So, policy making and review is a key function of the elected councillors.

Council needs to prioritise its role as policy makers and separate the operational issues which are the responsibility of the salaried staff. This can be assisted through the delegation of many activities to senior staff who operate within the policy and guidelines that are developed by the elected Council.

Recommendation 2

Council should develop a program for the systematic review of its policies.

Council Response

Agreed. But there should be no inference that Councillors are somehow involved in operational issues.

Code of Conduct

Council's current code of conduct was adopted in September 2009 and follows the Model Code without additional supplementary provisions. Staff are currently not formally trained in the Code of Conduct during the induction and are only provided with any amendments to the code of conduct when these occur. Council should also include code of conduct information in the induction program to all new staff and delegates.

Councillors are provided with training as part of their continuing development through an arrangement with Wagga Wagga City Council. The General Manager makes councillors aware of training in the area but it is usual that councillors do not participate in the training. No training is provided to delegates and community members of committees.

Council does not require staff, councillors and delegates to provide a written acknowledgement that they have received a copy of the code of conduct. However, indoor staff have access to the code of conduct on the Council's intranet, outdoor staff in the past have been given a copy, and the code of conduct is also communicated to councillors every two years.

A search of the Council web site did not locate the code of conduct document and Council advised that it is not made available to contractors and tenderers. Members of the public need to be provided with information on what to do if they suspect a breach of the code of conduct.

The reviewer was advised that there have in the past been informal representations over the code of conduct but these have always been resolved prior to any formal complaint being made. As such there have been no reported breaches of the code to Council.

Recommendation 3

Council needs to provide further code of conduct training to councillors, delegates and community members of committees.

Council Response

Agreed. But, given the situation in the community and the Council, this is felt to be of a lower priority than the reviewer has specified.

Reviewer's comment

While Council's comment is noted on the priority of this recommendation, it is considered to be an important issue and as such the recommendation priority allocated by the reviewer will be retained. All council officials should have an understanding of their obligations under the code of conduct, including Council delegates and community members of Council committees.

Recommendation 4

Council needs to make its code of conduct available on its website.

Council Response

The Code of Conduct is now on the Council's website.

Reviewer's comment

It is confirmed that the code of conduct is available on Council's website. This recommendation is considered completed and the action plan has been marked accordingly.

Recommendation 5

Council needs to include code of conduct training in its induction program.

Council Response

Agreed.

Pecuniary Interest

The Local Government Act sets out the parameters which must be adhered to when councillors and staff have a conflict between their public duty and private interests that constitute a pecuniary interest. The Act requires that councillors and designated staff complete and lodge disclosure of pecuniary interest returns. It is important that councillors and staff observe these requirements. Not to do so has the potential to seriously undermine the community's confidence in the integrity of local government and the decision-making processes.

Council does not maintain a record of staff disclosures of pecuniary interest. To demonstrate good practice, Council could establish and maintain a register of written disclosures made by designated persons and other staff.

There are currently no procedures for informing staff and councillors (other than staff who are designated persons) of their obligations in relation to pecuniary interests.

Recommendation 6

Council should develop and implement a procedure to regularly advise staff and councillors of their obligations in relation to the management of pecuniary conflict of interests.

Recommendation 7

Council needs to comply with the legislative requirements for disclosures of staff and councillors in regard to the recording of pecuniary interests.

Council Response

We are not sure whether Recommendations 6 and 7 are needed. The Council advises councillors and staff each year of the need to declare pecuniary interests and returns are completed and held in the Pecuniary Interest Register. We cannot see what extra needs doing.

Reviewer's comment

While Council's comments are noted, Council needs to develop a register for written disclosures made by staff. In addition, Council could include information at the beginning of its business papers to remind councillors about the need to consider any conflict of interests issues in relation to matters before Council. Some councils have a standing agenda item at the beginning of their meetings to call for any disclosures. There are a number of examples of this practice, such as Ballina Shire Council.

Statement of Business Ethics

A statement of business ethics can be an excellent tool for raising private sector awareness of public sector values. This is important because strong working relationships with the private sector are an essential part of building an efficient and cost-effective public sector.

Council has not prepared a Statement of Business Ethics to guide its staff and external stakeholders who interact with Council on the expected standards required. This would include suppliers, contractors, constituents and business partners. This document should be prepared for adoption, made available on Council's website and provided to all contractors and suppliers that deal with Council.

Recommendation 8

Council should prepare a Statement of Business Ethics and provide this to all its contractors and suppliers.

Council Response

Agreed.

Business Continuity

Organisations need to safeguard their business operations against the impact of adverse events such as fire which may threaten the continuity of its services. Business continuity activities consider the needs of people, assets and systems to provide effective prevention and recovery for Council. Through the adoption of this approach, it is ensured that Council could continue to operate with minimal impact of adverse or extraordinary circumstances.

The preparation of a Business Continuity Plan requires Council to develop strategies to re-establish operating systems and business units to minimise disruption to its services. Council advises that it did prepare a Business Continuity Plan, however, it is the reviewer's opinion that this needs to be reviewed.

Recommendation 9

Council should review and update its Business Continuity Plan.

Council Response

The Council's Business Continuity Plan was updated in August 2011 as part of its Internal Audit process. A few finishing touches are required and these will be complete by March 2012.

Risk Management Strategy/Plan and Internal Audit

Risk management is the identification, assessment and prioritisation of risks followed by a co-ordinated application of resources and internal controls that assist in monitoring and minimising risk exposure and the likelihood and impact of identified risks.

An invaluable management tool for the implementation of any risk management strategy is the undertaking of an organisational-wide risk assessment with a business continuity focus.

It is good practice to undertake an organisational risk assessment on a regular basis to identify areas of high risk that the Council needs to incorporate in its internal audit plan. Risk assessment processes ensure that council looks beyond insurable risks and OH&S matters and works to identify and effectively manage all risk exposures.

Council Group model for Risk Management and Internal Audit

Council is currently participating in an informal and innovative internal audit program with five other Councils (Coolamon, Temora, Gundagai, Greater Hume and Corowa) and this group of councils had directly appointed a private consultancy to undertake a risk assessment and develop a three year audit plan. It appears that the aim of this model is to share resources across each of the six councils to gain economies of scale while complying with the requirements of the Division to meet minimum Internal Audit standards. It was recognised that based on the limited audit work, each of the small councils could not justify the costs of a permanent internal auditor and a sharing arrangement was proposed.

In 2008 the consulting company ran a series of workshops to develop a Risk Assessment Plan across all of Councils responsibilities. From the results of this risk assessment, the General Managers selected a number of high risk internal audit projects that could be included in the individual council's audit program. The costs of this consultant as well as staff costs in this proposal are divided across those who participated in each specific audit in order to make these affordable for all. The convenor of the group has taken responsibility for the centralised administration and payments of these audits and invoices individual councils for regular pro rata payments. The reviewer understands that the consultant company had a three year contract for these internal audits however councils were able to opt out of the program at any time.

The methodology is to utilise staff from the councils to undertake audits of another partner Council. The staff member uses results from the questionnaires that are prepared in advance by the consultant to undertake the audit field work. Councils also draft the audit reports and where necessary the consultant attends a site meeting to provide Quality Assurance especially as most staff members do not have audit training. The completed reports should then be forwarded to the relevant Audit Committee for review and acceptance of the recommendations.

Since the field visit for this Promoting Better Practice review, the group of Councils has met to consider the needs of the updated Division Guidelines of September 2010. Junee Shire Council, along with other members of the group, has also directly appointed the contractor who has undertaken the earlier reviews, as its internal auditor and Head of Audit to the group of councils.

The reviewer raised with Council, during his visit, the need to consider the efficacy of directly appointing an internal auditor, particularly in terms of best practice procurement as well Equal Employment Opportunity principles, that may discriminate against local applicants. In addition, there is a benefit to benchmark other tenderers based on a clear tender specification. The accountabilities of the newly appointed internal auditor will need to be addressed in terms of reporting arrangements to the Audit Committee Chairpersons and administrative responsibilities through a specific General Manager.

Council should also identify organisational risks and develop an Enterprise wide Risk Assessment Management System (ERMS) to identify, rank and monitor all risks across the Council. This will allow a more rigorous and independent assessment of risks that can be 'fine tuned' and inform future internal audit programs.

Council Response (previous recommendation 10)

The Chairman of the Internal Audit Group has reported to the DLG on 5 January 2012. He was able to report that the Internal Audit Committee meetings were underway. Previously, the internal auditing process had been much simplified with all six councils appointing James Broadbent and Associates as Internal Auditor and Head of Audit. JBA was conducting audits directly. Accordingly, we think this recommendation is unnecessary.

Reviewer's comment

Council's comment is noted. The Division has received correspondence from the Chairman of the Internal Audit Group. This recommendation has been removed. The other comments made by the reviewer should be carefully considered by Council.

The text of this section has been updated to reflect the correspondence received by the Division.

Recommendation 10

Council should develop an Enterprise-wide Risk Assessment Management System (ERMS) to identify and monitor risks across the organisation.

Council Response

Partially agreed. We would have thought the Internal Audit Group Risk Management Plan lays down the basis of an ERMS and the Group will meet 20 February 2012 to plan for the next three years.

Reviewer's comment

Council should ensure that the risk management plan is an enterprise wide plan that addresses all risks faced by the organisation and ensure that this is more than insurable risks and OH&S matters.

Recommendation 11

Council should monitor any ongoing arrangements with strategic alliances to ensure continuing legislative compliance and best practice with external parties.

Council Response

We believe this recommendation is unnecessary. There is legislative compliance, and all are as good as can be designed for our circumstances.

Reviewer's comment

Council should consider the comments made in this report in relation to value for money and tendering processes in engaging contractors to undertake the internal audit work.

Fraud control

Fraud is a high level of risk within all organisations and should be systematically monitored through its Fraud Control Policy. Although a fraud risk assessment was listed on the internal audit program for Junee and other councils, the resulting outcome was the development of a generic Fraud Control Plan rather than an actual rigorous audit of Council systems. The reviewer suggests that a detailed fraud review be considered by Council under the new Fraud Control Plan.

Recommendation 12

Council should undertake a detailed fraud assessment across the organisation.

Council Response

Agreed, albeit of a relatively low priority given the Council's situation and the work already done as part of the Internal Audit. A Fraud Control Plan is almost ready to be put to Council for adoption.

Legislative Compliance

With the increasing amount of legislation and regulation facing councils as well as regular updates it is important to be able to monitor and respond to these requirements. Staff should also be made aware of their legislative and regulatory responsibilities within the organisation especially those with enforcement duties.

Council does not have a system or process in place to ensure that its legislative and regulatory obligations are met and could take action to develop a Legislative and Regulatory Register.

Recommendation 13

Council needs to develop a process for internal reporting of legislative non-compliance, fines/penalties and prosecutions against Council through the development of a Legislative and Regulatory Register.

Council Response

This recommendation perplexes us somewhat and it seems that it would create an unnecessary administrative burden. There are numerous other checks and systems for ensuring legislative compliance across the gamut of a council's responsibilities. For example, Delegations of Authority, our subscription to the LG Solutions newsletter and the DLGs own annual calendar of dates remind us of our responsibilities. We have a very good record of meeting legislative obligations.

Reviewer's comment

The focus of this recommendation is on processes within Council to capture, early on, suspected non-compliance by the Council. This will assist the General Manager to meet his obligations under clause 413A of the Local Government (General) Regulation 2005. There are good practice examples of legislative compliance registers, such as at Fairfield City Council.

Procurement, disposal and tendering

Council has a Procurement, Purchasing and Tender Policy that excludes the important functions of disposal of assets and monitoring of contractor performance. It is in need of review to include updates in legislative and policy changes as well as the inclusion of disposal of assets and monitoring of contractor performance. Council advised that due to the small number of tenders and contractors who are working in the area, it is relatively easy to monitor performance in an informal manner.

The reviewer examined two tenders, one each from the Engineering and Planning directorates. The Engineering tender was well prepared and assessed through objective price and non price criteria and represented good practice. The other tender for the construction of a residence was not as rigorous in terms of the absence of selection criteria and was accepted on price alone. Selection criteria should be included in the tender documentation for transparency and to allow prospective tenderers to be aware of the method of determining submitted tenders.

Council does not have a Local Preference Policy for tenderers but its use is limited due to the fact that the small area of possible tenderers and local purchasing power is restricted.

Recommendation 14

Council should ensure compliance with the Procurement, Purchasing and Tender policy in regard to the determination of tenders through the inclusion of objective criteria in its documents.

Council Response

Agreed.

Expenses and Facilities Policy

The Division recently undertook a survey of expenses and facilities policies from a sample of councils. A review of Junee Shire rated its policy as poor. On the whole, the policy does not appear to comply with the Division's Guidelines (October 2009) on which it is based. The areas that are considered not compliant include:

- The failure of Council to notify the public of its intent to adopt the policy, allowing a minimum 28 days for submissions;
- The failure of Council to consider any submissions received prior to adoption of the policy;
- The failure of Council to forward the adopted policy to the Division of Local Government, within 28 days of its adoption, by 30 November;
- Omission of monetary limits for all expenses;
- Omission of dispute resolution process;
- Omission of carer & disability- related expenses; and
- Omission of telecommunications & internet expenses.

Recommendation 15

Council should review its expenses and facilities policy to ensure it complies with the Division's Guidelines.

Council Response

This recommendation should be removed. With the exception of the latest notification point, a once-off problem, the points made are erroneous. The policy does cover the Division's guidelines.

Reviewer's comment

This recommendation is considered completed and the action plan has been marked accordingly. It is noted that Council exhibited a revised expenses and facilities policy towards the end of 2011.

Information Technology and Communications

Council has not prepared an Information Technology and Communications Plan as a strategy to develop these facilities across the organisation. It should link with all other strategic documents and provide an underlying foundation for all business systems.

Recommendation 16

Council should prepare an Information Technology and Communications Plan to guide the future development of technology and communications.

Council Response

Agreed, but as a relatively low priority given the arrangements already in place. Planning is carried out in a broad form when setting the IT budget each year as part of the Council's Management Plan process. We contract out our IT support to a professional firm who advise and guide our IT services. For a small council we have access to quality support.

6 PLANNING AND OTHER REGULATORY FUNCTIONS

6.1 OVERVIEW

Council exercises regulatory functions in relation to a range of activities within its area. The efficiency and probity of council's regulatory functions is important for effectively managing council's responsibilities and for preserving public trust in council and its staff. Regulation is important to achieve a wide range of social, economic and environmental goals.

6.1.1 Scope of review

A review was conducted of a range of aspects of Council's planning and regulatory practices, including:

- *Council's planning instruments and policies*
- *Pre-lodgement policy and procedure*
- *Local delegations for planning determinations*
- *ICAC Development Assessment Internal Audit Tool*
- *Environmental Compliance program*
- *Enforcement and Prosecutions policy and procedure*
- *Companion animals*

6.1.2 Overview of land use planning, development assessment and regulatory practices

Council has not yet prepared a land use strategy to inform its new Local Environmental Plan (LEP) and has in place the following existing land use strategies: Junee Residential Strategy, Draft Old Junee Village Strategy 2009 and Draft Illabo Village Strategy 2009.

Council has recently been provided with funding under the Local Environmental Plan (LEP) Acceleration Fund to provide in kind assistance to complete the new LEP. This included an amount for a planner, GIS mapping and heritage study using outsourced contractors appointed directly by the Department of Planning. The updating of the land use strategy will not be included in this acceleration program. Council will prepare a single Development Control Plan (DCP).

Council has a relatively small volume of development assessments with the Director holding the only specialist planning position within the Council. Planning recommendations are clearly documented and presented to Council for approval. The Department of Planning and Infrastructure *2010/2011 Local Development Performance Monitoring* report shows that for that financial year fifty (50) development applications (DA) valued at \$3.8M were approved as well as sixty one (61) Complying Development Certificates (CDCs) valued at \$3.7M. CDCs represented 55% of the total DAs and CDC applications received.

Owing to the small volume of development, Council is confident that it is able to adequately monitor potential illegal construction or non-compliance of any building and development conditions. This monitoring should however be enhanced through the preparation of a policy to guide any compliance and enforcement actions.

Overall, Council's planning and regulatory systems appears to function well but would be enhanced by streamlining planning determinations, the adoption of a formal compliance policy to clarify the role of Council in monitoring unacceptable environmental and construction activities.

6.1.3 Significant Observations

Noteworthy practices

Council has actively pursued land development within the Junee township to attract new residents with the development of lifestyle residential blocks. The developments have been well planned with full services and at affordable prices. Although the market is currently experiencing a slow down, Council has shown initiative in making affordable land available through a substantial investment of its financial resources.

Council's compliance program

Council has regular compliance programs for various activities such as inspection of food premises, skin penetration, private swimming pools, and septic tank servicing to ensure that public health and safety standards are met. These programs are regularly undertaken and where necessary outsourced to independent assessors.

Areas for further development

Pre-lodgement policy and procedure

Council already provides a pre-lodgement advice service, however there is currently no formal policy in place to clarify the types of advice that should be given. Also meetings tend to be informal and records are not consistently kept of the discussion and specific outcomes from the meeting. These records are a key to providing a clear understanding of the outcomes and the basis for the preparation of the development application. The development application form can then be varied to insert a record of any pre-lodgement meeting that has been held. In this way any previous advice and interpretation of any legislative requirements can be highlighted.

Recommendation 17

Council should develop a pre-lodgement policy and application form to clarify the process for providing information to applicants.

Council Response

Complied with. Three checklists based on different types of enquiries have been developed. These will provide us with formal records of meetings.

The need to amend the DA form to insert a record of any pre-lodgement meeting held is already served by an item in the existing DA/CC and CDC forms.

Reviewer's comment

Council's progress in implementing recommendation 17 has been noted. It is considered that recommendation 17 has been completed and will be marked accordingly in the action plan.

Local delegation of planning determinations

In 2010/11 Council dealt with 50 development applications. 70% (3.4% in 2009/10) of these development applications were approved by staff under delegated authority and the remaining 30% (96.6% in 2009/10) were considered by the elected Council. It is acknowledged that Council has improved upon its figures for the determination of development applications under delegated authority. The average for the group of

councils in which Junee Shire Council falls is 93.4% of matters being determined under delegated authority. Council should strive to improve its determination processes and establish clear criteria for referral to Council that will allow for more decisions to be made under delegation. This will provide a more streamlined approach to decision making.

Recommendation 18

Council should determine criteria that will provide for greater delegation of relevant planning matters.

Council Response

Agreed in part. The original figures for Development Applications provided to the Department of Planning and Infrastructure were incorrect and the reviewer has relied on these for the report. In the 2009/10 financial year, we received and determined 62 Development Applications (not 58). Of these, 17 were referred to the Council for determination and 46 were approved by staff under delegation. Therefore, 25.8% (not 96.6%) were determined by the Council and 74.2% (not 3.4%) were determined by staff under delegation. At 25.8%, we are still fourth highest level for Council determinations in NSW but have a good average processing time nonetheless. The matter will be considered again by the Council in the near future.

Reviewer's comment

Council's comments are noted. Given the passing of time between the on-site visit and the finalisation of this report, the Department of Planning and Infrastructure has released new figures. The development figures in the report have been updated to reflect the period 2010-2011. While Council's comments above are noted, the Council provides the development figures to the Department of Planning and Infrastructure for inclusion in their publication on performance. The Division relies on

the published figures and as such, these are the figures that are reproduced in review reports.

ICAC Development Assessment Internal Audit tool

ICAC has produced a comprehensive self audit schedule to allow councils to evaluate the performance of their planning activities. This internal audit tool is an invaluable aid for reviewing governance within Council's planning roles and allows an independent assessment of these activities.

Recommendation 19

Council should undertake an audit of its development assessment processes using the ICAC Development Assessment Internal Audit tool.

Council Response

Complied with, as recommended by the consultant.

Reviewer's comment

Council's progress in implementing recommendation 19 has been noted. It is considered that recommendation 19 has been completed and will be marked accordingly in the action plan.

Enforcement and Prosecution Policy

Council does not have an enforcement and prosecution policy to guide its compliance and enforcement activities.

Owing to the small volume of development, Council is confident that it is able to adequately monitor potential illegal construction or non-compliance of any building and development conditions. This monitoring should however be enhanced through the preparation of a policy to define and establish the responses to be applied in the identification and procedures that are applicable.

Recommendation 20

Council should prepare an enforcement and prosecution policy to clarify the procedures for undertaking its compliance and enforcement activities.

Council Response

A draft Enforcement and Prosecutions Policy will be considered at a coming Council meeting.

Companion animals

Council has reported pound statistics for the past three financial years as required and appears to be consistently reporting dog attacks within its area.

Council is making regular payments to the Companion Animals Fund and there are no outstanding amounts.

The Division's data indicates that in the 2008/2009 financial year, eight of the 24 animals that were euthanized were at the initiation of the owners. The reduction in the number of animals euthanized in the 2009/10 reporting period from previous years is significant. Data suggests that council is working with organisations in the re-homing of animals entering the pound facility. Council's euthanasia rate for the 2009/10 period is below the State average and the incidence of animals escaping from the facility has also been reduced to one only. These results are encouraging for council and indicate a willingness to seek alternatives to euthanasia. However the rate of lifetime registration of cats (26%) is well below the State average of 43% and the rate of lifetime registration for dogs (55%) is just below the State average of 61%.

Records indicate that Council has never issued a Notice of Intention to Declare a Dog a Restricted Dog. Keeping in mind the relatively small number of dogs residing within the LGA, it would be a timely opportunity to confirm that authorised officers of Junee Shire Council are conversant with the provisions of the Companion Animals Act relating to a dog suspected of being a restricted breed or cross of a restricted breed.

It would also be worthwhile to remind Council that reports are available on the Companion Animals Register to assist Council in following up dangerous, restricted dogs and potential restricted breed dogs in their local area.

The adoption of a local companion animal management plan assists councils in achieving a balanced relationship between companion animals, humans and the environment. Such a plan also provides councils with an opportunity to identify the

future direction of these services and strategies to meet the challenges faced in the provision of these services. Council does not currently have such a plan.

Recommendation 21

Council should prepare a Companion Animals Management Plan to provide for the effective and responsible care and management of companion animals.

Council Response

A draft Companion Animals Management Plan suitable for our circumstances will be prepared for a coming Council meeting for consideration.

Council Response (previous recommendation 23)

We are well aware of the provisions of the Act relating to dangerous dogs and restricted dogs and take appropriate action when it is required. We think this recommendation should be removed. The report implies that there have been restricted (and dangerous) dogs whose existence has not been acted on. This is not so.

Reviewer's comment

Council's comments are noted in relation to their understanding of their obligations under the Companion Animals Act regarding dangerous and restricted dogs. The recommendation to use the reports on the Companion Animals Register has been removed.

7 ASSET AND FINANCIAL MANAGEMENT

7.1 OVERVIEW

Under its charter, council has a responsibility to raise funds for the purposes of carrying out its functions. This can be achieved by the fair imposition of rates, charges and fees, borrowings and grants. The council is also the custodian and trustee of public assets and must effectively account for and manage these assets.

7.1.1 *Scope of review*

A review was conducted of a range of aspects of Council's asset and financial management practices, including:

- *Financial management*
- *Special Rates Variation*
- *Asset management plan*
- *Financial policies and planning*

7.1.2 *Overview of asset and financial management practices.*

Overview of financial position

Junee Shire Council has experienced difficulty in achieving a surplus budget for three out of the past four years and now faces increases in depreciation expenses that may make it difficult to achieve future operating surpluses. Council's income statement for 2009/10 shows a deficit result from continuing operations after capital grants and contributions of (\$75,000) compared to the budget projection of \$151,000 and an actual surplus of \$1,311,000 in 2008/09. The result before capital items was a deficit of (\$1,002,000) compared to the projected budget deficit of (\$195,000) and an actual surplus of \$24,000 in 2008/09. It should be noted that of the total deficit of (\$1,002,000), an amount of (\$643,000) or 64% was related to the Junee Recreation and Aquatic Centre.

Council Response

We believe the last sentence relating to the Club (sic) should be removed.

Reviewer's comment

While Council's view is noted, the information is significant and an important part of the financial assessment. The information will be retained in the report.

Liquidity and cash position

Council had \$4,133,000 in cash assets and investment securities as at 30 June 2010. Of this, \$2,336,000 was internally restricted. Internal restrictions included, in part, \$581,000 for advance payment of a Financial Assistance Grant, \$229,000 for Employees Leave Entitlement, \$115,000 for Plant & Vehicle Replacement and \$1,385,000 for Infrastructure replacement.

Council's performance ratios are set out below and are considered to be satisfactory within the Division's guidelines. The majority show an improvement over the previous year's operations.

Council's rates and annual charges outstanding reflect the percentage of rates and charges owing but not yet collected as a percentage of the total amount owing. The amount outstanding increased markedly from 2008/09. Council should continue to monitor this.

Overall Council's financial indicators are considered to be satisfactory as shown in Table 1, below.

TABLE 1

LIQUIDITY & CASH POSITION	2009/10	2008/09	2007/08
Unrestricted Current Ratio	2.58	4.24	1.99
Debt Service Ratio	5.64%	4.26%	4.25%
Rates & Annual Charges Outstanding	8.11%	6.03%	6.22%
Infrastructure Renewal Ratio	176:2%	164.1%	187.8%
Employee Leave Entitlements	18%	21%	21%

Council Response

The first paragraph contains a number of errors; it should read as follows:

‘Council had \$4,133,000 in cash assets and investment securities as at 30 June 2010. Of this, \$2,336,000 was internally restricted. Internal restrictions included, in part, \$581,000 for advance payment of a Financial Assistance Grant, \$229,000 for employees Leave Entitlement, \$115,000 for Plant and Vehicle Replacement and \$1,385,000 for Infrastructure Replacement’.

In the last sentence p34, we do not understand what is meant by “not fully funding maintenance spending”. May it be explained?

May we have the words “key component of the deficit” removed from the second sentence.

Reviewer’s comment

The error in the figures in the draft report is acknowledged. The figures have now been amended to reflect the correct amounts.

Clarification has been provided in relation to maintenance spending.

Operating Results and Trends

TABLE 2

OPERATING RESULTS & TRENDS \$,000	2009/10	2008/09	2007/08
Operating results before Capital Grants	(1,002)	24	(248)
Operating results after Continuing Operations	(75)	1,311	569

Overall, while Council appears to be in a good financial position, there are major concerns with Council incurring operating deficits before capital grants and not fully funding asset maintenance spending. Council’s actual maintenance spending for the last 5 years was less than Council’s estimate to keep assets to a satisfactory standard. The key component of the deficit is the large operating losses of the Junee Junction Aquatic Centre (\$643,000 in 2009/10). Council is aware of the operating loss at the Centre and seeks to balance these costs with the benefit of health and fitness to its community like many other sporting facilities within the Shire. In

preparing its priorities within the Community Strategic Plan, the operational performance of the facility will be considered in this context.

The variations in revenue from the previous year resulted from a reduced total revenue of \$161,000 and increases in expenditure of \$1,225,000. The revenue reduction included a reduction in capital grants of \$533,000 and an increase in rates and service charges of \$418,000. The increase in ordinary expenses of \$1,225,000 included increases in employee costs (which were \$530,000 over the 2010 budget), borrowing costs of \$118,000 and materials and contracts increased by \$495,000.

Council Response

The Council has an issue with emphasis on operating deficits, 'not fully funding asset spending' and the expression of the operating loss of the Recreation Centre as a 'key component' of 'the deficit'.

Reviewer's comment

Council's concern is acknowledged. However, the reviewer is concerned about the financial affect of the operations of the Junee Recreation and Aquatic Centre. As such, this information will remain in the report.

Rating

Commencing in the 2009/2010 financial year Council received approval for a 13.5% special rates variation under S508(2) of the Local Government Act for the purpose of infrastructure/renewal to re-commence the annual road resealing program. It appears that Council has not fully met the requirements of the special variation conditions set out in the instrument. In the 2009/10 Annual Report, the total income received from rates and charges is reported as well as the outcomes achieved in the resealing program. However, the information on the specific expenditure per program does not appear to have been reported.

Council has quite a straightforward rating structure comprising of three categories (Residential, Farmland and Business). All three categories have been sub-categorised. The rating structure consists of base amounts with an ad valorem. The revenue raised from the base amounts is less than 50% in accordance with legislation. Council has rated to its maximum permissible general income for 2010/11 resulting in a small catch-up amount of \$4,029, which Council can catch up within the next two rating years. There were no major significant issues identified in Council's

2010/11 Statement of Compliance. The only minor issue identified by the Division was the description of two sub-categories (Farmland - Small Farmland and Business - Rural); however, this appears to be a poor choice of description rather than a non-compliance issue.

Recommendation 22

Council should comply with the conditions of the Special Rates Variation and report specific expenditure per program in its Annual Report.

Council Response

Agreed.

Written Down Values/ Total Valuation (%)

Council's estimate to bring assets to a satisfactory standard was \$9,165,000 in 2009/10, which was a small decrease from the \$9,612,000 from the previous year's estimate.

The eventual data collection for assets and the implementation of an asset management system will provide Council with more accurate costs and a more sophisticated approach to life cycle costing.

TABLE 3

WDV/Total Valuation (%)	2009/10	2008/09	2007/08
Roads, Bridges & Footpaths	73%	74%	75%
Stormwater & Drainage	65%	47%	72%
Sewerage network	57%	56%	56%
Cost to bring to a satisfactory standard (\$,000)	\$9,165	\$9,612	\$6,767
Difference in budget and cost to bring to a satisfactory standard (\$,000)	(\$590)	(\$497)	(\$471)

The Division considers that anything below 50% may be cause for concern.

Council Response

Junee Shire Council is not responsible for water supply in this area.

Reviewer's comment

This is noted. The table in the draft report reflected that there are zero entries in relation to water supply infrastructure. Given Council's comment, the line item "water supply network" has been removed from the table.

Asset Management

Asset management is a systematic process to guide the planning, acquisition, operation and maintenance, renewal and disposal of assets. Its objective is to maximise asset service delivery potential and manage related risks and costs over their entire lives. It involves effective coordination of the council's financial and engineering resources.

Council had initially developed a Roads Asset Management Plan and at the time of review had yet to develop an Asset Management Strategy that includes buildings, drainage, footpaths and kerb and gutter. Council has received financial and professional monitoring assistance to review the current Asset Management Plan, which only incorporates roads, and develop a Strategy and Plans to meet any deficiencies in asset planning. This assistance will ensure that Council will develop an Asset Management Strategy that is compliant with the Integrated Planning and Reporting requirements. The review of buildings within the Asset Management Strategy will be outsourced to an external consultant while other adjustments to the Strategy and development of specific Asset Management Plans, such as roads and sewerage, will be undertaken by staff.

Financial policies and guidelines

Council does not have an overdraft facilities policy or a policy on borrowing and the use of loans. Council does not have any internal loans.

Council also has no pensioner rates and charges reduction policy under section 582 of the Act but follows the requirements of the Act in special cases and ensures that it does not go beyond what is allowed under the Act in terms of hardship relief.

Council has submitted its claim for the pensioner rebate subsidy over the last twelve months. Council does not conduct a periodic review of the pensioner rebate scheme

procedures as part of an internal audit process. Council reviews its procedures by comparing the pensioner list against Centrelink and Veteran Affairs information.

Council does have a hardship policy for ratepayers which Council has not needed to exercise. Council also has a debt recovery strategy adopted by Council in April 2011.

Recommendation 23

Council needs to develop an overdraft facilities policy.

Council Response

Agreed.

Recommendation 24

Council needs to develop a pensioner rates and charges reduction policy.

Council Response

Agreed.

Recommendation 25

Council needs to develop a borrowing policy.

Council Response

Agreed.

Council Response (previous recommendation 28)

This recommendation should be removed. The Council has an Investment Policy and has had for a number of years.

Reviewer's comment

Previous recommendation 28 in the report related to Council developing an investment policy. It is acknowledged that Council has a comprehensive investment policy which has been regularly updated. This recommendation has been removed.

Long term financial planning

A long term financial plan is critical for any organisation in order to plan for the future. The Long Term Financial Plan will show how Council intends to fund its future operations through implementing its Community Strategic Plan. Council will be required to develop a Long Term Financial Plan as part of the Integrated Planning and Reporting framework.

Council has developed a draft Long Term Financial Plan which is currently being updated to meet the requirements in the preparation for the Integrated Planning and Reporting process. Council needs to ensure its asset management is considered in the process of developing its Integrated Planning & Reporting plans. This is particularly important considering the amount reported as being required to bring assets to a satisfactory standard. This work should be incorporated into its Long term Financial Plan in order to ensure that the plan accurately predicts future financial needs. Council has advised that it has not identified funding sources for its long term capital works program. Council must ensure that its financial plan clearly demonstrates the feasibility of any alternate funding options.

Recommendation 26

Council should ensure that any alternate funding sources for financing longer term capital works programs are clearly identified and linked to Council's Long Term Financial Plan.

Council Response

Agreed. The identification of alternative sources is inherent in the development of a Long Term Financial Plan that meets the standards of Integrated Planning and Reporting.

8 COMMUNITY AND CONSULTATION

8.1 OVERVIEW

A council's charter requires that a council:

- Provides services after due consultation
- Facilitates the involvement of councillors, members of the public, users of facilities and services and council staff in the development, improvement and coordination of local government
- Actively promotes the principles of multiculturalism
- Plans, promotes and provides for the needs of children, and
- Keeps the local community and State government informed about its activities

8.1.1 Scope of review

A review was conducted of a range of aspects of Council's community and consultation practices, including:

- *Tourism Plan*
- *Community Participation*
- *Social and community planning*
- *Cultural Planning*
- *Customer service standards*

8.1.2 Overview of community and consultation practices

8.1.3 Significant Observations

Noteworthy practices

Tourism

Junee Shire is a very active area for tourism and recently released its Junee Tourism Development Plan 2011- 2016. Council has a unique place in local history firstly with the Junee Railway and Roundhouse and other heritage attractions for visitors to

enjoy. The Tourism Development Action Plan which is divided into seven (7) key result areas provides an outline of the initiatives for the Shire over the next five years.

Given the trend for population decline in some Regional areas, the Tourism Plan is a positive initiative and can build on the ongoing influx of specialist “quirky” establishments that now include the Chocolate and Licorice Factory, the Roundhouse Museum and cafes.

The inclusion of an Economic Development strategy to supplement the Tourism Development Plan would provide a more rigorous approach to maximising the potential influx of new residents and commercial activities to drive the Shire to a more economically viable community.

Areas for improvement

Community participation

Council developed a Community Engagement Strategy in November 2008 to guide its consultation on the development of its Community Strategic Plan. Council held a workshop in relation to the earlier development of its Community Strategic Plan and a small number of community members participated in this process. Council should re-evaluate this earlier engagement strategy during the implementation of its current Integrated Planning and Reporting processes and should expand its emphasis to include on-going community participation across Council’s activities. The development of the community engagement strategy to inform the Community Strategic Plan is a valuable tool that could be broadened so that it can be continually utilised across the whole organisation.

Community consultation mechanisms that the Council uses include community attitude surveys, community forums, review of customer feedback/ complaints and through informal networking. Council seeks to keep the community informed of its activities- through weekly newsletters, radio and TV items, direct mail outs, community meetings and forums.

Recommendation 27

Council should review the Community Engagement Strategy and use this strategy to guide on-going community engagement across the wider organisation.

Council Response

Agreed. We will refine the policy for the requirements of the Integrated Planning and Reporting.

Social and community planning

Council's Social and Community Plan was updated in 2005 from the 1999 document and is available on its website. This Plan does not contain information on recreational facilities and programs and is not currently linked or integrated with Councils Management Plan and Annual Report. These issues will need to be addressed when Council finalises the Integrated Planning and Reporting process.

There are many Action Plans prepared for 2005-2010 however there has been no updating of the Plan to record any completion of identified strategies and there appears to be a lack of purpose in progressing these initiatives in this area of the community. Council needs to address this as part of developing its Community Strategic Plan and Delivery Program.

Cultural Planning

Council's current Cultural Plan is available on Council's website and in the Council's Library. The plan is outdated and appears to be deficient when compared with the Division's publication "Cultural Planning Guidelines for Local Councils". This is another plan that should be incorporated into Council's strategic planning process.

Use of service standards

Council has no specific customer service standards. These would assist the Council's community reputation through improved service delivery. Council should develop a document setting out standards that customers can expect in relation to Council's response to correspondence, telephone calls, and visits with Council staff, requests for service and requests for information.

Council should identify and promote the standards that the public can expect of their services. Council also may consider the creation of a focus group to assist Council in the identification of what community expectations are and also seek public input through public exhibition. Once these standards have been developed they need to

be monitored and reported on to ensure Council's accountability to the community is upheld and to provide feedback to the Council on areas of service standards that could be improved. Council also should include these service standards on its website.

Recommendation 28

Council should develop an organisational wide customer service standards policy that identifies service standards for all Council services.

Council Response

Agreed.

Reviewer's comment

Council's response to this section of the report is noted.

9 WORKFORCE RELATIONS

9.1 OVERVIEW

Councils have a number of legislative responsibilities in relation to their role as an employer. Council is required to conduct itself as a responsible employer.

9.1.1 Scope of review

A review was conducted of a range of aspects of Council's workforce relations practices, including:

- *Equal employment opportunity*
- *Occupational health and safety*
- *Workforce planning*
- *Human resources policies*
- *Staff training*
- *Employee attitude surveys*

9.1.2 Overview of the organisation

Junee Shire Council currently has an Equivalent Full Time staff of 75. Women represent 32% of the total Council workforce. No staff members are identified as being of Aboriginal background. Council's workforce appears to reflect the Shire's demographics.

Council is a Group 3 Council in terms of the timeline for the completion of the Integrated Planning and Reporting which is due in June 2012. While it has not developed a Workforce Management Strategy in the past, it is now engaged in this process.

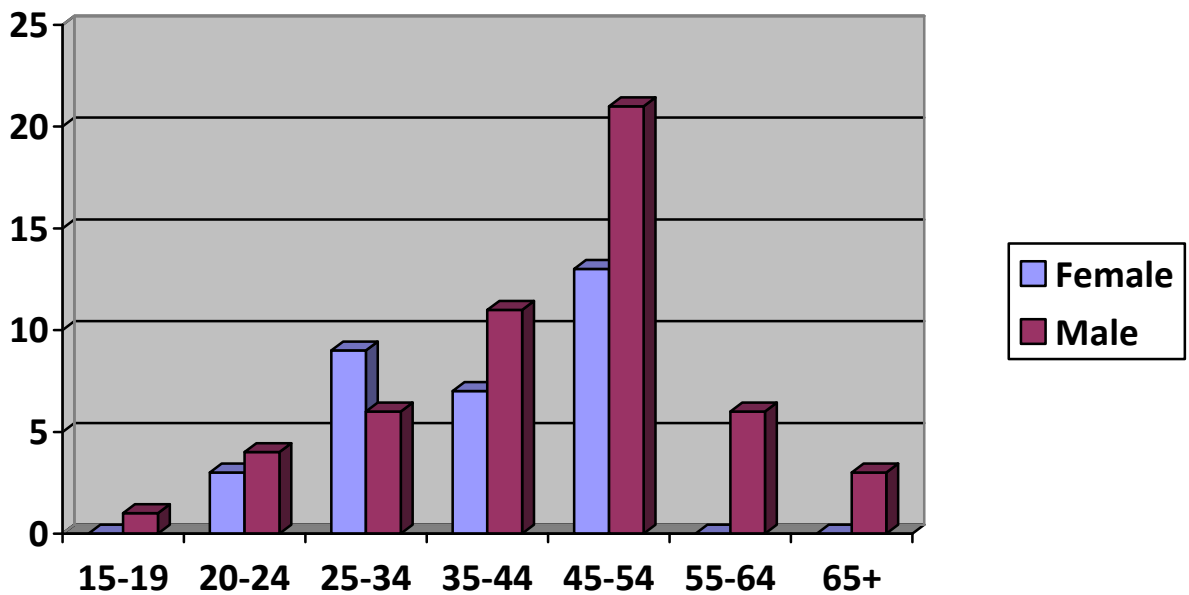


Figure 2 Composition of Junee Shire staff age distribution

9.1.3 Significant Observations

Areas for improvement

Work Health and Safety

The work health and safety legislation requires both employers and employees to work to strict safety requirements. Council is required to develop written safe work procedures.

Council has prepared an Occupational Health and Safety & Rehabilitation Policy which was adopted in April 2004 and a draft Return to Work Program. Presentation of this information is also made as part of the Council's Induction Program. The OH&S policy should be reviewed and the Draft Return to Work policy adopted by Council.

Council has a formally constituted OH&S Committee that meets bi-monthly in accordance with its constitution. It was noted that this committee includes councillor membership. The involvement of Councillors in the management of Council's decision-making activities that impact on its day-to-day operations is not considered appropriate.

Council undertook an OH&S self audit in 2010 to assist in the monitoring and improvement of their OH&S management systems and provide an Action Plan to improve OH&S improvement.

Council has a strong commitment to occupational health and safety. This commitment is demonstrated through the establishment and monitoring of practices and incidents to ensure that Council staff work in and create a safe working environment where risk is minimised.

Recommendation 29

Council should review and update the OH&S Policy.

Council Response

Agreed. This is relevant given the commencement of the Work Health and Safety Act on 1 January 2012.

Recommendation 30

Council should review and adopt the draft Return to Work Program.

Council Response

Agreed. The draft Return to Work program simply needs adoption.

Workforce Planning

All councils are exposed to a number of workforce issues, such as:

- The shortage of specialised skills in certain areas;
- An ageing workforce
- Changing workloads as council and government priorities change
- Career opportunities outside council and local government

In order to be proactive in this area Council needs to develop a four year Workforce Management Strategy. This plan will form part of Council's Resourcing Strategy

deliverable under the Integrated Planning and Reporting framework. The Workforce Management Strategy is required to address Council's human resource requirements of the Delivery Program.

Council Response

This is redundant given that it is inherent in the IP & R process.

Human Resource policies

Council has a human resource policy and supporting procedures manual. These policy and procedures are out of date and need to be reviewed and updated. These policies and procedures can be accessed by staff through the Council's intranet or hard copy at the Depot for outdoor staff and are included as part of the induction process.

Council needs to ensure that these policies and procedures are comprehensive, complete and up to date.

Recommendation 31

Council should review and update all of its human resources policies and procedures.

Council Response

Agreed.

Equal employment opportunity (EEO)

Section 345 of the Local Government Act 1993 outlines what a council's Equal Employment Opportunity Management Plan is to include such as requirements related to the collection and recording of appropriate information and the setting of goals and targets.

Council has prepared its EEO Management Plan however there is no record of adoption by Council or any revisions (if any) to the original document. A commencement date and finite timeframe for the Plan would allow for a proper evaluation of the EEO Management Plan. There is no EEO advisory committee

within Council and instead the Consultative Committee oversees the Plan. The Plan does not include the following legislative requirements:

- Policies and programs in Council's employment practices regarding race, sex or marital status
- Provisions relating to the promotion of women, Aboriginal or Torres Strait Islanders or members of racial minorities.
- Provisions relating to the collection and recording of information for future benchmarking of future performance.

In addition, the Plan does not contain key indicators that adequately allow the success of the Plan to be assessed and there is no evidence within the Annual Report of improvement over time of the proposed outcomes within each Strategy.

The Annual Report 2009/10 includes the eight (8) strategies that have been adopted within the EEO Management Plan and that due to '*no reported instances of any EEO matters to be dealt with*' there has been '*little activity with regard to the EEO Management Plan in the year under review*'. Council should undertake a comprehensive review of its EEO Management Plan to ensure compliance with legislative requirements and include a statement of activities undertaken to implement the Plan in its Annual Report.

Recommendation 32

Council should review the EEO Management Plan to comply with legislative requirements and implement strategies for regular review and reporting within the Annual Report.

Council Response

Agreed.

Staff training

Council has a structured induction program for all new staff, which contains the following components: an induction checklist; indoor/outdoor policy and procedures manual; safety induction handbook, and the code of conduct. The program is undertaken on an individual need basis and does not include comprehensive code of

conduct training. The Depot has its own induction program for outdoor staff. Participation in the induction program is required to be completed by each staff member and attendance is recorded on individual staff hard copy files.

Council has not developed an overall training plan and budget as required by clause 27 of the Local Government State Award 2010.

Recommendation 33

Council should develop an overall training plan for all aspects of the organisation with the appropriate budget allocation as required by the Local Government State Award 2010.

Council Response

Agreed, the components which exist should be brought together. Appropriate budget allocations exist.

Employee Attitude Survey

Council has not undertaken an employee survey. This survey is a useful tool in the identification of what is working well at the Council, the areas of concern or areas that require improvement.

Recommendation 34

Council should conduct an employee attitude survey to identify staff attitudes and concerns.

Council Response

Agreed. Steps are already being taken.

Reviewer's comment

Council's responses to this section of the report are noted and actions already being undertaken to implement the recommendations are acknowledged. The suggested changed priority rating for recommendations 34 and 37 have been amended in the action plan.

PART IV. RISK RATING OF RECOMMENDATIONS

The recommendations made in this report have been assessed for a priority ranking based on the following risk analysis.

		CONSEQUENCE		
		Significant <i>Significant risk to the operations of council and if not addressed could cause public outrage, non-compliance with council's statutory responsibilities, severe disruption to council's operations and council's ability to meet its goals.</i>	Moderate <i>Moderate risk to the operations of council and if not addressed could cause adverse publicity, some disruption to council's operations and council's ability to meet its goals.</i>	Minor <i>Minimal risk to the operations of council, little disruption to council's operations and will not limit council's ability to meet its goals.</i>
LIKELIHOOD	Almost certain	High	High	Medium
	Possible	Medium	Medium	Low
	Rare	Medium	Low	Low

Priorities for recommendations: <i>(based on application of risk analysis)</i>	Risk categories could include:
<ul style="list-style-type: none"> High Medium Low 	<ul style="list-style-type: none"> Reputation Compliance with statutory requirements Fraud/corruption Financial Legal liability OH&S

PART V. ACTION PLAN

The Action Plan is to be completed and adopted by Council to guide the implementation and monitoring of the recommendations in this report. The reviewers have allocated notional priority rankings using the risk rating analysis in the previous section. Council is encouraged to review and revise these, if necessary.

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
<p>1. Council should provide information in its contracts register as required by the GIPA Act on its website.</p> <p>COMPLETED</p>	Medium	Done	January 2012	Director Corporate and Community Services	Done
<p>2. Council should develop a program for the systematic review of its policies.</p>	Medium		By June 2012	General Manager	
<p>3. Council needs to provide further code of conduct training to councillors, delegates and community members of committees.</p>	Medium	Schedule for new Council	By December 2012 – ongoing	General Manager	
<p>4. Council needs to make its code of conduct available on its website.</p> <p>COMPLETED</p>	Medium	Done	November 2011	Director Corporate and Community Services	Done

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
5. Council needs to include code of conduct training in its induction program.	Medium	Immediate	January 2012	Worksafe and Risk Management Manager	
6. Council should develop and implement a procedure to regularly advise staff of their obligations in relation to the management of pecuniary conflict of interests.	High	Do not Understand/Disagree N/A			
7. Council needs to comply with the legislative requirements for disclosures of staff and councillors in regard to the recording of pecuniary interests.	High	Do Not Understand/Disagree N/A			
8. Council should prepare a Statement of Business Ethics and provide this to all its contractors and suppliers..	High	Agree	June 2012	Director Corporate and Community Services	
9. Council should review and update its Business Continuity Plan.	High	Complete work in progress	March 2012	Director Corporate and Community Services	

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
10. Council should develop an Enterprise-wide Risk Assessment Management System (ERMS) to identify and monitor risks across the organisation.	Medium	Partly done. IA Group meet 20 February 2012	June 2012	General Manager	Partly done
11. Council should monitor any ongoing arrangements with strategic alliances to ensure continuing legislative compliance and best practice with external parties.	Medium	Ongoing		General Manager	
12. Council should undertake a detailed fraud assessment across the organisation.	Medium	Fraud Control Plan to Council. Fraud Assessment	December 2012	Director Corporate and Community Services	
13. Council needs to develop a process for internal reporting of legislative non-compliance, fines/penalties and prosecutions against Council through the development of a Legislative and Regulatory Register.	Medium	Disagree No action.			
14. Council should ensure compliance with the Procurement, Purchasing and Tender policy in regard to the determination of tenders through the inclusion of objective criteria in its documents.	Medium	As occurs		Director Engineering Services	

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
<p>15. Council should review its expenses and facilities policy to ensure it complies with the Division's Guidelines.</p> <p>COMPLETED</p>	Medium	No action required			
<p>16. Council should prepare an Information Technology and Communications Plan to guide the future development of technology and communications.</p>	Low	Adequate		Director Corporate and Community Services	Adequate provisions in place.
<p>17. Council should develop a pre-lodgement policy and application form to clarify the process for providing information to applicants.</p> <p>COMPLETED</p>	Medium	Done		Director Development and Environmental Services	Done
<p>18. Council should determine criteria that will provide for greater delegation of relevant planning matters.</p>	Medium	To Council		Director Development and Environmental Services	

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
<p>19. Council should undertake an audit of its development assessment processes using the ICAC Development Assessment Internal Audit tool.</p> <p>COMPLETED</p>	Medium	Done		Director Development and Environmental Services	Done
<p>20. Council should prepare an enforcement and prosecution policy to clarify the procedures for undertaking its compliance and enforcement activities.</p>	Medium	To coming Council meeting	3 months	Director Development and Environmental Services	
<p>21. Council should prepare a Companion Animals Management Plan to provide for the effective and responsible care and management of companion animals</p>	Medium	To coming Council meeting	3 months	Director Development and Environmental Services	
<p>22. Council should comply with the conditions of the Special Rates Variation and report specific expenditure per program in its Annual Report.</p>	High	Annual Report 2012		Director of Corporate and Community Services	
<p>23. Council needs to develop an overdraft facilities policy.</p>	Medium		June 2012	Director of Corporate and Community Services	

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
<i>24. Council needs to develop a pensioner rates and charges reduction policy.</i>	Medium		June 2012	Director of Corporate and Community Services	
<i>25. Council needs to develop a borrowing policy.</i>	Medium		June 2012	Director of Corporate and Community Services	
<i>26. Council should ensure that any alternative funding sources for financing longer term capital works programs are clearly identified and linked to Council's Long Term Financial Plan.</i>	Medium	As part of LTFP Part of IP & R	June 2012	Director Corporate and Community Services	
<i>27. Council should review the Community Engagement Strategy and use this strategy to guide on-going community engagement across the wider organisation.</i>	Medium	As part of IP & R	January 2013	General Manager	
<i>28. Council should develop an organisational wide customer service standards policy that identifies service standards for all Council services.</i>	Medium		June 2012	General Manager	

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
29. Council should review and update the OH&S Policy.	Medium			Worksafe and Risk Management Manager	
30. Council should review and adopt the draft Return to Work Program.	Medium	Put before Council	February 2012	Worksafe and Risk Management Manager	
31. Council should review and update all of its human resources policies and procedures.	Medium		December 2012	Director Corporate and Community Services	
32. Council review the EEO Management Plan to comply with legislative requirements and implement strategies for regular review and reporting within the Annual Report.	Medium		December 2012	Director Corporate and Community Services	
33. Council should develop an overall training plan for all aspects of the organisation with the appropriate budget allocation as required by the Local Government State Award 2010.	Medium	Pull together components existing	December 2012	Worksafe and Risk Management Manager	

RECOMMENDATION	PRIORITY	ACTION PROPOSED	TIME FRAME	RESPONSIBILITY	PROGRESS REPORT
34. <i>Council should conduct an employee attitude survey to identify staff attitudes and concerns.</i>	High	Higher priority identified	February 2012	General Manager	