



**AGENDA**

**AUDIT AND RISK MANAGEMENT  
COMMITTEE MEETING**

**MONDAY, 22 MAY 2023**

Notice is given that the next Audit and Risk Management Committee Meeting of Tiwi Islands Regional Council will be held on:

- Monday, 22 May 2023 at
- TBA
- Commencing at 10.00am

Your attendance at the meeting will be appreciated.

**Gina McPharlin**  
Chief Executive Officer

## **AGENDA**

### **1 WELCOME & APOLOGIES**

- 1.1 WELCOME
- 1.2 PRESENT
- 1.3 APOLOGIES
- 1.4 LEAVE OF ABSENCE
- 1.5 DECLARATION OF INTEREST OF MEMBERS OR STAFF

### **2 CONFIRMATION OF PREVIOUS MINUTES**

*Audit and Risk Management Committee - 4 November 2022* ..... 1

### **3 GENERAL BUSINESS**

3.1 UPDATE ON MATTER RELATING TO AUDIT RECOMMENDATION..... 4

### **4 REPORTS FOR INFORMATION**

4.1 REVISED BUDGET REVIEW 2022-23..... 8



**MINUTES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE MEETING HELD IN  
THE TIWI LAND COUNCIL DARWIN OFFICE ON FRIDAY, 4 NOVEMBER 2022 AT  
10:00AM**

**1 WELCOME & APOLOGIES**

**1.1 Welcome**

The meeting opened at 11.10 am.

**1.2 Present**

<b>Committee Members</b>	
<b>Aswin Kumar</b>	<b>Independent Chairperson</b>
<b>David Blair</b>	<b>Independent Member</b>
<b>Deputy Mayor Leslie Tungutalum</b>	<b>Wurrumiyanga Ward</b>
<b>Councillor Lynette De Santis</b>	<b>Milikapiti Ward Councillor</b>
<b>Councillor Therese Bourke</b>	<b>Councillor Therese Bourke</b>
<b>Officers</b>	
<b>Allan McGill</b>	<b>Interim Chief Executive Officer</b>
<b>Bala Donepudi</b>	<b>Chief Financial Officer</b>
<b>Guests</b>	
<b>MunLi Chee</b>	<b>Merit Partners</b>
<b>Minuter</b>	<b>Bala Donepudi</b>

**1.3 Apologies**

**Mayor Pirrawayingi**

**1.4 Leave of Absence**

**Mayor Pirrawayingi**

**1.5 Declaration of Interest of Members or Staff**

**Nil**

**2 CONFIRMATION OF PREVIOUS MINUTES**

**Audit and Risk Management Committee - 26 August 2022****30 RESOLUTION**

*Moved: Leslie Tungatulum*

*Seconded: Lynette DeSantis*

That the minutes of the Audit and Risk Management Committee on 26 August 2022 as circulated, be confirmed as a true and correct record of that meeting. These minutes are to be confirmed at next Ordinary Council meeting to be held 30<sup>th</sup> of November .

**CARRIED****3 GENERAL BUSINESS**

Nil

**4 REPORTS FOR INFORMATION**

Nil

**5 CONFIDENTIAL ITEMS****RECOMMENDATION**

That pursuant to Section 65 (2) of the Local Government Act and Regulation 8 of the Local Government (Administration) Regulations the meeting be closed to the public to consider a Confidential matter.

At the conclusion of the discussion on the confidential item(s), the meeting was reopened and the decision on the item(s) noted.

**RECOMMENDATION**

That the meeting be reopened and the decisions on the confidential item be noted.

**CONFIDENTIAL ITEM DECISIONS****5.1 FINANCIAL ANNUAL REPORT 2021/22****31 RESOLUTION**

*Moved: Lynette DeSantis*

*Seconded: Therese (Wokay) Bourke*

**That the Audit Committee receive and note the 2021/22 Annual report.**

**CARRIED****5.2 ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS 2020/2021****32 RESOLUTION**

*Moved: Lynette DeSantis*

*Seconded: Therese (Wokay) Bourke*

**That the Audit Committee review and recommends to council the draft financial statements for the year ended 30 June 2022.**

**CARRIED**

**6 CLOSURE**

The meeting closed at 2.15 pm.

**5 NEXT MEETING**

**GENERAL BUSINESS**

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<b>ITEM NUMBER</b>	3.1
<b>TITLE</b>	Update on Matter relating to Audit Recommendation
<b>REFERENCE</b>	247734
<b>AUTHOR</b>	Bala Donepudi, Chief Financial Officer



To provide an update and deliberate on the recommendations included in the 2022 Audit Closing Report

**BACKGROUND**

Audit Tracking Register was created to monitor the progress of resolution of the matters included therein..

**ISSUES/OPTIONS/CONSEQUENCES**

Management to provide an update on the matters included in the Audit Tracking Register.

**RECOMMENDATION:**

- (a) **That the Committee discusses and provides further comments and direction to management on the matters in the Audit Tracking and Action Items Register.**

**ATTACHMENTS:**

- 1 TIRC\_Audit Recommendation Tracking register -FY 2023.pdf

**Tiwi Islands Regional Council**  
Report on Status of Audit Recommendations

Sr. No.	Areas	Observations	Responses
1	Non-compliance with the Local Government Act 2019	We requested for all Council meeting minutes from 1 July 2021 to date. During the course of our audit, we were not provided with the requested meeting minutes after July 2022 and neither were they available on the Council's website at the time of the audit.  We noted an investigation was undertaken by a local government inspector and the inspector's report concluded that there was evidence of irregularities and improper conduct found in the Council's affairs. Correspondence from the Northern Territory Government Local Government Compliance team confirmed that  We also noted from the Council's meeting minutes that the meeting minutes were not signed	We have aligned our practices. As of now we have Minutes of Council Meeting, Agendas & Notices in compliance with Local Government Act 2019
2	General Journals	During our testing of the general journals we noted that there was no segregation of duties in creating and approving journals. For all of our 25 samples the person who created the journal was the one who also approved it in TechOne.	In line with the observation - we have aligned our practices. In FY 2022-23 we have ensured all our GL Journals are getting processed via Maker /Checker Principle in TechOne.
3	Year End Closing Process	We understand that there had been unforeseen delays arising from the finalisation of the trial balance/financial statements for the year and there are opportunities to improve the year end closing process.	We are upto date with most of our reconciliations in the areas of AP, AR, Bank, GST. We will ensure the rest of the check & balances to get to the mark in due course for us to be able to finish the smoother Year End Closing Process.
4	Bank Signatories	We identified from the bank confirmation received from Commonwealth Bank of Australia as at 30 June 2022 that three (2021) two) former employees were still listed as account signatories.	We have fully complied with this observation.
5	Grant Agreements	We requested supporting documentation to substantiate the grant income received in FY 2022 by the Council. This included the provision of the grant agreements. We were not provided 17 sampled grant agreements.  We understand that this is due to lack of resourcing at the Council as the grants coordinator and governance and compliance manager positions have been vacant.	The grants coordinator position is now fulfilled. As of now we have a Grants Database. For FY 2023 we have all notices & correspondence in proper manner. For all our current Grant Agreements we are aiming to achieve end to end documentation & There might be some challenges for Legacy data where in some cases we can't get the same from the funding body as well.
6	Asset Revaluation	The last asset revaluation on infrastructure and buildings was completed in 2018.  In accordance with paragraph 31 of AASB 116 Property, Plant and Equipment revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.	Asset revaluation project is awarded to JLL they are expected to commence the exercise in May 2023 & we are aiming to see the Final Valuation Report by 30 June 2023.

**Tiwi Islands Regional Council**  
**Report on Status of Audit Recommendations**

Sr. No.	Areas	Observations	Responses
7	Lease Calculation	<p>The Council accounted for 2 new leases in the FY 2022. From our review of the lease calculations the following were noted:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> The interest rate used was 3.5%. This was based on the interest rate used in previous lease calculations, and not based on current borrowing rates.</li> <li><input type="checkbox"/> CPI was not considered in the new lease calculations.</li> <li><input type="checkbox"/> The rent used to calculate one of the new leases was incorrect.</li> <li><input type="checkbox"/> The lease agreement for one of the new leases could not be provided at the time of the audit.</li> <li><input type="checkbox"/> The lease term did not consider the option to renew.</li> </ul>	<p>We will align our Lease Calculations in line with the observation for FY 2022-23.</p>
8	Accrual Process	<p>We noted invoices dated prior to June 2022 were being recorded as accruals as at 30 June 2022. We were advised that the accrual process in FY 2022 changed from prior year. Invoices received in July 2022 which related to FY 2022 were recorded as an accrual.</p>	<p>Our AP invoices for June period still spills over July &amp; Aug like every financial year. Hence we did not have any other option but to book the accrual to close our AP Books &amp; BAS reporting. Any invoices of last financial year - received after BAS Cut off date we are booking in July next financial year.</p>
9	Credit Card Reconciliation	<p>Credit card transactions incurred in October 2021 were reconciled and approved in April 2022.</p>	<p>In line with the observation - we have aligned our practices - in FY 2022- 23 we have ensured our credit card reconciliation executed without time lags.</p>
10	<p>End of Month Process Reviews</p> <p>– Cash on Hand</p>	<p>The trial balance as at 30 June 2022 included the following accounts that have no supporting evidence:</p> <p>Cash on Hand Pirrangimpi \$732,00                  Cash on Hand Ngulu \$1,328,39                  Cash on Hand Milikapiti \$1,609,70</p>	<p>We will implement a new cash management system. This involves placing cash registers in all three service delivery centres.</p>
11	Accumulation of Leave Balances	<p>In the review of the provision for leave entitlements, it was noted that 15 employees (2021 - 12 employees) had annual leave balances in excess of 250 hours (33 days) with the highest leave balance being 582 hours (2021: 528 hours).</p>	<p>Staff with large leave balances have been made aware of the Auditor's recommendations. Some of the Staff have started taking leave to reduce the balances.</p>
12	Receipts Process Controls	<p>During our testing of the Council's receipts process, we noted the following exceptions: One instance where the income was recorded to the incorrect income account.</p>	<p>In line with the observation - we have engaged our auditors - in FY 2022- 23 we have ensured all our Council's receipts process are getting processed via Maker/Checker Principle in TechnOne. We are aiming to eliminate the manual inaccuracies with implementing Park &amp; Post.</p>

**Tiwi Islands Regional Council**  
Report on Status of Audit Recommendations

Sr. No.	Areas	Observations	Responses
13	Receipts Process Controls	During our testing of the Council's receipts process, we noted the following exceptions:  One instance where the income was recorded to the incorrect income account.	In line with the observation - we have aligned our practices. In FY 2022-23 we have ensured all our Council's receipts process are getting processed via Maker/Checker Principle in TechOne. We are aiming to eliminate the manual inaccuracies with implementing Park & Post.
14	Procurement Policy Review	During our audit work, it was noted that the Council's Procurement Policy was not reviewed in accordance with the timetable within the policy. This was scheduled for review in September 2019.	The Policy has been updated and it will tabled in April 2022 Ordinary council meeting.
15	Unexpended Grants Reserve	The Council has adopted AASB 15 Revenue from Contracts with Customers and AASB 1056 Income of Not-for-Profit Entities. As a result of this, any grants received that do not contain sufficiently specific performance obligations are recognised as income immediately, regardless of whether the funds have been expended or not.	We are working towards creating the unexpended grant reserve. This will be appear in this 2023 financials.

**REPORTS FOR INFORMATION**

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<b>ITEM NUMBER</b>	4.1
<b>TITLE</b>	Revised Budget Review 2022-23
<b>REFERENCE</b>	247735
<b>AUTHOR</b>	Bala Donepudi, Chief Financial Officer



The purpose of this report is to provide the committee with the second Review of the Budget for 2022-2023

**BACKGROUND**

The Local Government (General) Regulations, 2019 state in section 9 that the council budget must be reviewed on at least one occasion between 1 July and 31 December; and again between 1 January and 30 April.

**Summary:**

A Second review of the 2022/2023 budget has been completed. Changes are recommended to the council budget contained in regional plan.

The amended 2022/23 budget has been drafted for council's approval.

**Movements in Revenue:**

An increase in the overall income of the Council by \$ 52,000. The revenue increase is mainly due to additional revenue due to increase in carried forward grants. An increase in interest rates is projected to bring in additional revenue of \$ 15,000.

**Movements in Expenditure**

Operation expenditure is projected to come down by 243,558

Employee costs decreased by \$ 325,217 due to savings achieved due to unfilled positions and absenteeism—Additional revenue was received due to the delivery of the project using internal resources.

The expenditure on Materials has gone up by 261,889. This increase is mainly due to additional spending on Council dumps, Buildings and staff housing. The total councillor allowance costs decreased by 157K.

**ISSUES/OPTIONS/CONSEQUENCES****CONSULTATION & TIMING:****RECOMMENDATION:**

**That the Committee**

- 1. Receives and note the second Revised budget for 2022-23 as per Section 203(2) of the *Local Government Act 2019*,**

**(a)**

**ATTACHMENTS:**

- 1 TIRC Second Budget Review 2022-23.pdf

Tiwi Islands Regional Council Annual Budget  
for Year ending 30 June 2023  
Table 1 Annual Budget Income and Expenditure



	Amended Budget \$	Original Budget \$	Variance
<b>OPERATING INCOME</b>			
Rates	2,491,040	2,491,040	0
Charges	671,868	656,868	15,000
Fees and Charges	1,329,750	1,557,750	(228,000)
Operating Grants and Subsidies	10,201,110	9,813,490	387,620
Interest / Investment Income	115,000	100,000	15,000
Commercial and Other Income	837,772	975,236	(137,464)
<b>TOTAL OPERATING INCOME</b>	<b>15,646,540</b>	<b>15,594,384</b>	<b>52,156</b>
<b>OPERATING EXPENDITURE</b>			
Employee Expenses	6,414,041	6,739,258	325,217
Materials and Contracts	8,419,192	8,157,303	(261,889)
Elected Member Allowances	315,000	452,068	137,068
Elected Member Expenses	82,019	90,928	8,909
Council Committee & LA Allowances	7,750	14,920	7,170
Council Committee & LA Expenses	6,932	10,862	3,930
Depreciation, Amortisation and Impairment	2,038,825	2,038,825	0
Interest Expenses			0
Other Expenses	1,808,891	1,780,889	(28,002)
<b>TOTAL OPERATING EXPENDITURE</b>	<b>19,092,650</b>	<b>19,285,052</b>	<b>192,402</b>
<b>BUDGETED OPERATING SURPLUS / DEFICIT</b>	<b>(3,446,110)</b>	<b>(3,690,668)</b>	<b>244,558</b>
<b>Estimated Capital &amp; Non Cash Adjustments :</b>			
	<b>Annual Budget \$</b>	<b>Original Budget</b>	
<b>BUDGETED OPERATING SURPLUS / DEFICIT</b>	<b>(3,446,110)</b>	<b>(3,690,668)</b>	<b>244,558</b>
<b>Remove NON-CASH ITEMS</b>			
<i>Less</i> Non-Cash Income			
<i>Add Back</i> Non-Cash Expenses	2,038,825	2,038,825	0
<b>TOTAL NON-CASH ITEMS</b>	<b>2,038,825</b>	<b>2,038,825</b>	<b>244,558</b>
<b>Less ADDITIONAL OUTFLOWS</b>			
Capital Expenditure	555,000	565,000	10,000
Borrowing Repayments (Principal Only)			
Transfer to Reserves			
Other Outflows			
<b>TOTAL ADDITIONAL OUTFLOWS</b>	<b>(555,000)</b>	<b>(565,000)</b>	<b>254,558</b>
<b>Add ADDITIONAL INFLOWS</b>			
Capital Grants Income	358,150	358,150	0
Prior Year Carry Forward Tied Funding	1,606,872	1,860,697	(253,825)
Other Inflow of Funds			
Transfers from Reserves			
<b>TOTAL ADDITIONAL INFLOWS</b>	<b>1,965,022</b>	<b>2,218,847</b>	
<b>NET BUDGETED OPERATING POSITION</b>	<b>2,737</b>	<b>2,004</b>	<b>733</b>

**Capital Expenditure and Funding**  
**By class of infrastructure, property, plant and equipment**



<b>CAPITAL EXPENDITURE **</b>		<b>Current Financial Year (Annual) Budget \$</b>
Infrastructure		505,000
Motor Vehicles		50,000
<b>TOTAL CAPITAL EXPENDITURE*</b>		<b>555,000</b>
<b>TOTAL CAPITAL EXPENDITURE FUNDED BY: **</b>		
Capital Grants		505,000
Operational Income		50,000
<b>TOTAL CAPITAL EXPENDITURE FUNDING</b>		<b>555,000</b>

**Table 3.1 Budget by Planned Major Capital Works**



Class of Assets	By Major Capital Project*	Total Prior Year(s) Actuals \$	Current Financial Year Budget \$	Total Planned Budget \$	Expected Project Completion Date
Infrastructure	Basket Ball Court	200,000		200,000	30.06.2023
Infrastructure	Playground equipment	70,000		70,000	30.06.2023
Infrastructure	BBO Shelter	25,000		25,000	30.06.2023
Infrastructure	Milikapiti Hall refurbishment	60,000		60,000	30.06.2023
Infrastructure	Milikapiti Water play Area		150,000	150,000	30.06.2023
Motor Vehicles	Motor Vehicles		50,000	50,000	30.06.2023
	<b>TOTAL</b>	<b>355,000</b>	<b>200,000</b>	<b>555,000</b>	

## Local Authority Area Budget



LOCAL AUTHORITY BUDGETS FOR THE YEAR ENDING 30 JUNE 2023	Regional	Wurrumiyanga	Pirlangimpi	Milikapiti	Total Annual Budget **\$
<b>OPERATING INCOME</b>					
Rates	0	1,672,310	360,251	458,479	2,491,040
Charges	0	420,325	111,447	140,096	671,868
Fees and Charges	252,500	402,500	401,750	273,000	1,329,750
Operating Grants and Subsidies	8,451,109	1,500,000	100,000	150,000	10,201,109
Interest / Investment Income	115,000	0	0	0	115,000
Commercial and Other Income	28,486	64,500	187,700	557,086	837,772
<b>TOTAL OPERATING INCOME</b>	<b>8,847,095</b>	<b>4,059,635</b>	<b>1,161,148</b>	<b>1,578,661</b>	<b>15,646,539</b>
<b>OPERATING EXPENDITURE</b>					
Employee Expenses	2,482,183	2,209,838	872,571	849,448	6,414,040
Materials and Contracts	4,394,412	2,739,458	468,574	816,748	8,419,192
Elected Member Allowances		130,000	130,000	55,000	315,000
Elected Member Expenses	22,850	35,290	17,879	6,000	82,019
Council Committee & LA Allowances		3,000	2,000	2,750	7,750
Council Committee & LA Expenses		2,909	943	3,080	6,932
Depreciation, Amortisation and Impairment	2,038,825	0	0	0	2,038,825
Other Expenses	1,389,485	235,146	32,356	151,904	1,808,891
<b>TOTAL OPERATING EXPENDITURE</b>	<b>10,327,755</b>	<b>5,355,641</b>	<b>1,524,323</b>	<b>1,884,930</b>	<b>19,092,649</b>
<b>BUDGETED OPERATING SURPLUS / DEFICIT</b>	<b>(1,480,660)</b>	<b>(1,296,006)</b>	<b>(363,175)</b>	<b>(306,269)</b>	<b>(3,446,110)</b>
<b>BUDGETED OPERATING SURPLUS / DEFICIT</b>	<b>(1,480,660)</b>	<b>(1,296,006)</b>	<b>(363,175)</b>	<b>(306,269)</b>	<b>(3,446,110)</b>
<b>Remove NON-CASH ITEMS</b>					
Less Non-Cash Income					
Add Back Non-Cash Expenses	2,038,825				2,038,825
<b>TOTAL NON-CASH ITEMS</b>	<b>2,038,825</b>				<b>2,038,825</b>
<b>Less ADDITIONAL OUTFLOWS</b>					
Capital Expenditure	50,000	295,000		210,000	555,000
Borrowing Repayments (Principal Only)					
Transfer to Reserves					
Other Outflows					
<b>TOTAL ADDITIONAL OUTFLOWS</b>	<b>(50,000)</b>	<b>(295,000)</b>	<b>0</b>	<b>(210,000)</b>	<b>(555,000)</b>
<b>Add ADDITIONAL INFLOWS</b>					
Capital Grants Income		235,400	57,950	64,800	358,150
Prior Year Carry Forward Tied Funding	759,179	594,406	73,582	179,706	1,606,872
Other Inflow of Funds					
Transfers from Reserves					
<b>TOTAL ADDITIONAL INFLOWS</b>	<b>759,179</b>	<b>829,806</b>	<b>131,532</b>	<b>244,506</b>	<b>1,965,022</b>
<b>NET BUDGETED OPERATING POSITION</b>	<b>1,267,344</b>	<b>(761,200)</b>	<b>(231,643)</b>	<b>(271,763)</b>	<b>2,737</b>